Issues Relating to the Organizational Structure of the Office of the Secretary of Family and Social Services

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FSSA Evaluation Committee

Indiana Legislative Services Agency

Legislative Evaluation and Oversight

The Office of Fiscal and Management Analysis is a Division within the Legislative Services Agency that performs fiscal, budgetary, and management analysis. Within this office, teams of program analysts evaluate state agency programs and activities as set forth in IC 2-5-21.

The goal of Legislative Evaluation and Oversight is to improve the legislative decision-making process and, ultimately, state government operations by providing information about the performance of state agencies and programs through evaluation.

The evaluation teams prepare reports for the Legislative Council in accordance with P.L. 197 of 2003. The published reports describe state programs, analyze management problems, evaluate outcomes, and include other items as directed by the Legislative Evaluation and Oversight Policy Subcommittee of the Legislative Council. The report is used by an evaluation committee to determine the need for legislative action.

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Preface

Each year, the Legislative Services Agency prepares reports for the Legislative Council in accordance with IC 2-5-21. In accordance with P.L. 197 of 2003, this report concerns issues relating to the organizational structure of the Office of the Secretary of Family and Social Services and the Office's relationship with other agencies that provide health and human services. It has been prepared for use by the FSSA Evaluation Committee.

We gratefully acknowledge all those who assisted in preparation of this report.

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Executive Summary for Evaluation of the Organizational Structure of the Office of the Secretary of Family and Social Services

Introduction. P.L. 197 of 2003 required an evaluation of the organizational structure of the Office of the Secretary of Family and Social Services and the Office's relationship with other agencies that provide health and human services programs. The evaluation is prepared by nonpartisian legislative staff overseen by the Legislative Evaluation and Oversight Policy Subcommittee (LEOPS) of the Legislative Council. The report will be received by the FSSA Evaluation Committee for review under IC 2-5-21, which makes provision for the committee to take testimony regarding the audit report and make recommendations for legislation or administrative changes.

The state of Indiana human services agencies were reorganized in 1991 from independent departments into divisions. In the same legislation, the Office of the Secretary of Family and Social Services was established.

The purpose of this reorganization was to address certain problems identified in service delivery. Specifically, it was recognized that the former system was fragmented and that there was duplication of programs. The goals of the reorganization were summarized in a 1995 Legislative Services Agency evaluation of the reorganization as (1) improving the administration and management of human services and (2) improving the delivery of services.

Under current statute, sections of the Indiana Code authorizing the Office of the Secretary of Family and Social Services, Family and Social Services bodies, Office of Medicaid Policy and Planning, and the division directors are set to expire on January 1, 2006. Options include legislative action to reauthorize these sections or change the structure of this area of state government, or executive orders to continue the entities in the interim.

Statutory organizational structure. In implementation, it appears that the Family and Social Services Administration (FSSA) is a centralized, consolidated agency. This observation is based on the way that budgets are prepared and the centralization of certain functions such as intellectual technology support, contracting, and human resources.

The consolidation of human services agencies at the state level appears to be on par with what other states are doing or considering. The "best practice" of organizing human services agencies seems to suggest that coordination of planning is paramount. States are using different types of collaborative bodies to achieve these results, however, including umbrellas, coordinating councils, cabinets, and commissions, to name a few.

Evaluation of the operating organizational structure. LEOPS members, in a meeting in September 2003, suggested several topics to examine concerning the organizational structure of the Office of the Secretary of Family and Social Services. These suggestions were turned into areas of review, as follows:

1. **Continuity of Leadership** - the extent to which the organizational structure supports the role of the secretary.
2. **Management Efficiency** - the extent to which the organizational structure supports the work of the agency.
3. **Interagency Communication** - the effect the organizational structure has had reducing fragmentation and duplication.
4. **Fiscal Accountability** - the extent to which the organizational structure allows control of the agencies' activities.
5. **Budget** - an analysis of support and administrative staff and expenditures within Family and Social Services, and the way that budgeting can be used to make FSSA better or less expensive.

To review each of these areas, surveys were circulated to organizations that work with or are contracted by FSSA. Other states with similar general populations and organizational structures were identified and used to make comparisons. Also, certain state documents were reviewed and

interviews were conducted with key personnel, including the former secretaries of Family and Social Services.

Continuity of Leadership. It was found that Indiana does have a shorter average length of service in the secretary position than other similar states. However, there is evidence that Indiana's tenure of secretaries is not without precedence, and that even for-profit organizations' chief operating officers are serving shorter periods in the position. The most important effect that the short tenure has on the agency is the shortened planning horizon that it causes.

Management Efficiency. It appears that many states with a centralized administration for human services agencies dedicate similar portions of budget and personnel to these agencies as Indiana does, and that the management of these agencies may be just as complex as it is in Indiana.

The results of the survey undertaken by LSA indicate that staff turnover is a problem at FSSA. Steps were taken to determine if staff turnover could be related to management complexity, but an early retirement incentive may have increased staff turnover for the years observed. However, further review of issues addressed by LSA survey respondents concerning staff pay and the need for additional staff is recommended.

Within this section, program oversight and linkages between agencies to provide human services programs are also reviewed. A program inventory documents the types of interactions between agencies that must occur in order to provide each program. Although the results must be reviewed in more depth, the information can be used to determine how the interactions can best be managed.

Interagency Communications. A review of the literature concerning service integration reveals several components that are key to interagency communication, including comprehensive family assessment and joint case planning, single point of entry and collocation, and a sense of partnership. This evaluation looks at how each step is carried out at FSSA.

While more recently discussed in the literature, FSSA has made some move toward adopting comprehensive family assessment and joint case planning with "systems of care teams" to provide wrap-around services for families. These programs have only been rolled out in 11 of the 92 counties in Indiana.

In developing a sense of partnership among the divisions of FSSA, cross-training appears to be a key element. Although the listing of cross-training opportunities provided by FSSA is not exhaustive, the opportunities to learn about other programs and break down communication barriers between programs do not appear to be abundant. It also appears that programs are arranged among the divisions rather than planned by the Office of the Secretary.

An evaluation of the communications was undertaken using the LSA surveys. Based on the responses, FSSA is perceived as communicating well with outside entities. However, questions that concerned perceptions of interagency communication did not yield such positive results. For example, 53% of the respondents found that multi-problem or dually diagnosed clients do not receive programs and services to meet most of their needs. Of this group, 54% felt that better interagency communications among the divisions would improve access to programs for these clients. It appears that most respondents would like to see a closer alignment among the divisions to improve this communications gap.

Fiscal Accountability. As the result of upgrades to technology and other problems identified with contracting processes, contract payment has become centralized within the Office of the Secretary. However, the contracting process still involves the individual divisions which prepare contracts and must sign off on payments. A review of contracts shows that most contracts are let for one year and that the average contract value was $5.5 million for calendar years 2000 and 2001. The actual contract values ranged widely between $0 and $183 million. Large contracts may cover a period of years, and $0 contracts represent a set service cost, but unlimited quantities to be purchased.

In addition to contract review, a description of the internal audit function was undertaken. It appears that the unit that performs internal audit is continuing to undergo changes, as it has over the last seven years. Currently, the unit is performing an account number overview of FSSA from which a risk analysis of the agency can be developed.

In addition to internal audit, the State Board of Accounts is responsible for an annual audit of the agency based on federal law. A review of the findings of the annual audit indicates that FSSA has more findings than other state agencies receiving federal funds. The types of findings for FSSA range from the lack of written procedures to insufficient or no review of audits submitted by vendors to cases of fraud. Findings about the Medicaid or Medicaid/CHIPS program represent about 40% of the findings on average over the three years. Most of the problems identified concern insufficient audits and edits within the claims payment system to identify duplicate billing, excessive payments, or invalid billing. Some reconciling errors have been noted as well. Three cases of fraud or illegal activity are discussed in the audits with two of these cases first being identified by FSSA internal audit.

Budget. A review of the FY 2004-05 biennium finds that federal funds provide 63.9% of the total budget. Very little funding in the state budget (0.3%) comes from local sources, although counties have some responsibility for human services programs within their own budgets. State institutions are primarily funded with state General Fund dollars. From July 2001 to July 2003, the number of positions within FSSA decreased by 7.4% with the greatest decreases coming from the state-operated institutions and the Division of Family and Children county offices.

Currently, FSSA includes performance-based measurements in its budget presentation. Ways in which performance-based measurements could be used to improve efficiency are explored, including ways in which this technique could improve business unit performance, as well as program-level improvements.

Conclusion. The recognition that human services agencies must communicate with one another to avoid problems of fragmentation and duplication appears to be common among states. Indiana began to address this issue with the formation of the Office of the Secretary of Family and Social Services. This evaluation attempts to look at issues that relate to the organizational structure of the Office and look for ways in which the organizational structure can be strengthened to improve service delivery. Among the products of this report that may lead to this improvement are an inventory of interactions between human services agencies providing programs, information on staff turnover, and a look at performance-based budgeting.

Section 1. Introduction

Legislation passed during the 2003 legislative session required the Legislative Evaluation and Oversight Policy Subcommittee (LEOPS) of the Legislative Council to direct staff to perform an audit of the organizational structure of the Office of the Secretary of Family and Social Services and the Office's relationship with other agencies that provide health and human services programs. This audit was conducted in accordance with IC 2-5-21, which directs staff to consider, among other items:

1. The objectives intended for the agency and the degree to which the intended objectives have been achieved.
2. Budget and fiscal factors, including the effect of the agency on the Indiana economy.
3. Areas of outstanding performance.
4. Whether operations of the agency have been efficient and responsive to public needs.
5. The management efficiency of the agency.
6. Any other criteria identified by LEOPS.

In addition to these statutory recommendations, LEOPS members suggested that the following issues be addressed in the Family and Social Services audit:

1. The fact that there have been nine secretaries of Family and Social Services since the creation of the agency and the impact this has on continuity.
2. Communication within Family and Social Services.
3. Whether there is too much or too little support and administrative staff and expenditures within Family and Social Services.
4. The fiscal accountability within the agency.
5. The best structure to use for the delivery of social services.
6. Whether the agency can be made better or less expensive.

Beyond these directives and recommendations, the sections of the statute authorizing the Office of the Secretary of Family and Social Services, Family and Social Services bodies, Office of Medicaid Policy and Planning, and the division directors are set to expire on January 1, 2006. While this report has not been drafted to address the expiration of these entities, the evaluation provides background for actions that may be taken as a result of the expiration date.

In 1991, the Office of the Secretary of Family and Social Services was created through legislation which transferred responsibility for existing human services to one of three divisions or the Office of Medicaid Policy and Planning within the Office of the Secretary. (The Office of the Secretary and the three divisions are referred to as the Family and Social Services Administration and use the abbreviation FSSA.) Responsibilities for programs and services were assigned to the divisions, the division directors, or to sections (later known as bureaus), which are located within the divisions. Each division was headed by a director and each bureau by a bureau head. Although the statute has been recodified and new programs and changes incorporated over the years, the overall plan set forth in the original legislation has not changed.

The organizational structure that was enacted resulted from executive branch and legislative branch proposals. Section Three works to define the state agency's statutory organizational structure for a more thorough understanding of how the Office and divisions are expected to work together and discusses the organizational structure that is in operation at FSSA.

In order to evaluate the organizational structure in Section Four of this report, interviews were conducted with former FSSA secretaries and a survey was addressed to several advocacy and service organizations. In addition, other states with consolidated and cabinet-style organizational structures for their human services agencies were examined for comparison to the Indiana system. Finally, state documents, such as contracts with vendors, budgets, and audits by the State Board of Accounts, were also used to examine specific operations.

As an introduction to the topics covered in Section Three and Section Four, a general discussion of human services programs and organizational structure follows. State history with program usage information as well as the effects of federal funding on state programs is discussed in Section Two.

Over the last several years, problems at FSSA have been highlighted in the press. Media reports have indicated that charges have been filed against caseworkers in cases involving children dying as the result of neglect or abuse. Also, fraudulent contracts and misappropriation of funds for personal enrichment by employees and contractors have been the subject of these reports. The highlighted problems have led to criminal cases that are currently in the court systems. To the extent that these cases reflect on the organizational structure of FSSA, they have been considered for this evaluation. However, the purpose of this evaluation is neither to validate the charges nor to interfere with ongoing investigations. Therefore, the allegations are examined within this evaluation through information available from newspaper accounts and, in some cases, reports provided by other governmental agencies such as the State Board of Accounts.

What are Human Services

Human services are a broad set of supports that are provided by a government or private entity to individuals who are vulnerable due to economic hardship, physical or mental condition, or age. The supports can range from direct cash stipends to training to licensure of facilities and individuals who provide services. The people who receive services also are not homogenous. They come from all age groups and backgrounds, and the severity of their needs may vary significantly.

Human services are not necessarily closely related to one another, because the range of services are so broad and the clientele so diverse. However, at the state level, certain advantages can be found in tying human services programs together. One of the advantages that will be discussed throughout this report is service integration. Services integration is defined as "streamlined and simplified client access to a wide range of benefits and services that bridge traditional program domains." (Ragan, 2003) The reasons that human services can be tied together include crossover caseloads, funding sources, and support

systems.

Even though the people receiving services cover a broad range of needs and characteristics, often one person will need more than one type of service. For example, a person who needs substance abuse treatment may also need assistance in housing or child care. The fact that people typically need help from more than one category of services is one of the primary reasons that human services programs have been linked together. The efficiency with which a person may receive services may improve the outcome for the person in need and reduce redundancy within the human services delivery system.

Human services are, by and large, based on funding from the federal government along with direct or indirect support from state funds. Federal funding often carries requirements for use of the funds and may require the state to make certain expenditures. With block grants, which became more popular during the mid-1990s, funds have fewer requirements and are provided more often to the community level. In this case, the state may have a regulatory responsibility to audit and review the use of the funds. Since human services programs are linked with federal funding and the resulting regulation, the relationship with the federal government is often a critical factor in providing human services, and efforts to attract or retain federal funding may link human services programs and delivery systems.

In the same way that federal funds may link human services, other support systems, such as data services, also connect human services. Because caseloads may overlap and because data needs may be similar, certain synergy may be achieved when human services are linked with one another. By bringing human services together in Indiana with the formation of the Office of the Secretary of Family and Social Services, common support systems could be developed, such as the ICES and ISETS computer systems, which can improve the access to human services programs for recipients.

In some states, public health is combined with human services, but Indiana does not do this. Certain services provided by the health department complement human services including data collection and licensure. However, other services are not aligned with human services, and may actually relate better to other types of programs such as environmental protection or as a stand-alone program. Whether public health services should be administered with human services programs is not straightforward because different models underlay each structure.

What is Organizational Structure

In general, organizational structure refers to the lines of authority within an organization that control the organization's activities. Control exerted over the organization's activities can provide for productivity, consistent quality, and protection against malfeasance. Usually the organizational structure is depicted by boxes that represent positions within the organization connected by lines of authority. In traditional organizations, control is exerted from the top of the structure over the bottom. However, not every organization is depicted this way, and often the concepts of organization extend beyond the boxes to issues

such as corporate culture, mission, and valued-added services.

The study of organizational structure combines sociology and psychology. Early work concerning bureaucracy and organization was pursued by Max Weber, a nineteenth century social theorist who described bureaucracies as "goal-oriented organizations designed according to rational principles in order to efficiently attain their goals." (Elwell) The rational organization gave way to scientific management principles and organizational behavior studies. In the beginning, these studies concerned improving profitability by increasing employee efficiency. The pursuit of machine-like proficiency was overtaken by recognition that humans are more complex than machines. This led to psychological study of the way in which workers could be motivated to be better producers through incentives and controls.

These works, however, begin to break down when nonmanufacturing organizations are considered. For example, the number of patients a psychologist sees is less important to positive outcome than a patient following a well-conceived treatment plan. While measuring the number of clients a psychologist sees each day is an easy and objective measure of productivity and profitability, the goal of a psychological practice is better described as the positive outcome for the majority of patients. In order to secure a positive outcome, the psychologist may need to allocate time to developing treatment plans or to pursuing noncompliant patients, and spend less time in direct treatment of patients, especially those who are progressing well along their treatment plan. (Kessler, 2004)

Moreover, the organizational structure that supports a practice of psychologists varies from that of a production environment. While the traditional organization is hierarchical in nature, a human services organization may have a relatively flat structure where the boxes connect to one another on the same level rather than to a box higher on the diagram. This type of peer-to-peer structure works well in an environment where professionals work autonomously or have equal authority. However, the issues of how to control activities, particularly of how to provide consistent quality, are more critical in this type of organization.

The type of reorganization of human services programs that took place in Indiana in 1991 was partially concerned with the lines of authority. The purpose of the reorganization was integrating human services programs among the various agencies that provided them, thereby reducing fragmentation and duplication of services. While the literature still discusses the lines of authority for state programs (Robison, 2004), different avenues to achieving system integration now dominate the literature.

Results from a literature review indicate that service integration and collaboration were issues in 1990 and continue to be issues today. A report from the National Conference of State Legislatures (NCSL) explains how the focus of the issue has changed:

> Collaboration among executive branch leaders has been valuable for coordinating planning among state agencies and increasing the attention given to particular issues or under-served populations. However, it has become clear that to effect

> change often requires collaboration among representatives of a broader range of resources, as well as some level of confrontation and accountability. (Robison, 2004)

Studies reviewed for this paper rarely consider the overall state human services system. Studies either review exemplary local agencies to find common features that would improve services or provide information to improve interactions among smaller, independent agencies. Information about the organizational structure of state agencies is primarily presented in terms of the effect on one segment of the population served, for example, the disabled, long-term care users, or children.

Based on this review of literature, there appears to be no ideal model for organizing state human services agencies. However, service integration and collaboration among human services programs appear to be a key to improving the delivery of services. Even though the literature indicates interest in these topics has moved beyond the state-level organizational structure, this evaluation considers the results of state reorganization undertaken in 1991. In many cases, the question of how the state organizational structure performs can only be answered based on the population being served. The purpose of the evaluation is to look at the overall organization and its performance, and this will be done in terms of service integration and collaboration.

Section 2. Background on Divisions and Office of Medicaid Planning and Policy

The organizational structure of Family and Social Services is shaped by more than the restructuring that took place in 1991. This section examines human services program history and other outside influences that help determine the structure of Indiana's human services programs within the three Family and Social Services Administration (FSSA) divisions: the Division of Disability, Aging, and Rehabilitative Services (DDARS); the Division of Mental Health and Addiction (DMHA); and the Division of Family and Children (DFC); as well as the Office of Medicaid Policy and Planning (OMPP). Through the review, the diversity of the programs found in each entity is explored.

Included in the review is a general description of the population served, program structure, the funding sources, and the changes that have occurred since 1991 when the individual departments were forged into a single structure. While OMPP, in statute, is part of the Office of the Secretary, each of the three divisions exists independently to the extent that each division is given separate areas of responsibility. However, in many cases, the divisions and OMPP interact to serve populations that overlap. Here, the interactions are not explored, but rather, the unique structure that has developed in each division is revealed.

Factors Shaping State Program Structure

Most human services programs receive federal funding, and, as a result, are affected by federal court decisions and other federal requirements. The Olmstead Decision and the maintenance of effort requirement affect many of the human services offered by the state. These two factors are discussed, and

the effect on particular divisions is highlighted below. In addition, the effect of federally run human services programs within the state is discussed.

The Olmstead **U.S. Supreme Court Decision**

Both DMHA and DDARS are affected by the 1999 U.S. Supreme Court decision, known as Olmstead, which held that the unnecessary segregation of individuals with disabilities in institutions may constitute discrimination based on disability. Furthermore, Olmstead said that the Americans with Disabilities Act may require states to provide community-based services rather than institutional placements for individuals with disabilities if treatment professionals determine:

1. Community-based services are appropriate.
2. The affected individuals do not object to such placement.
3. The state has the available resources to provide community-based services.

Both state developmental centers and mental health institutions are affected by the decision. According to statute, DDARS is responsible for operating the state developmental centers, while DMHA administers the mental health institutions. Partially as a result of Olmstead, the divisions focus on providing alternate services in a community setting as opposed to an institutional one, resulting in a steady decrease in the number of persons residing in institutions over time.

DMHA: In 1989, the seven mental health hospitals had a patient population of 3,612. With the closure of Central State Hospital in 1994 and the downsizing of other facilities, the current patient census is about 1,200.

DDARS: In 1989, the four state developmental centers had a patient population of 1,521. With the closure of New Castle SDC and Northern Indiana SDC in 1998 and the downsizing of the other facilities, the patient census in May 2004 was about 363.

The decrease in the number of individuals residing in state institutions has led to additional contracting for community-based services with nonstate entities as service providers. Some direct effects of the increased number of contracted service providers are more contract and service oversight and improved contracting systems. However, over time, the trend towards community-based care systems will affect human services programs in many, as yet unforeseen, ways.

Maintenance of Effort in Programs

Maintenance of Effort (MOE) programs are an example of a federal requirement that influences state human services program development. Many federally mandated programs require that the state fulfill specified requirements in order to continue receiving funding for the program. The requirements may be in the form of a cash match of state funds to a previous funding level or to a commensurate level of federal funding, or for a noncash provision of services at a specified level. In some cases, the MOE does not have to come from the entity receiving the funding, but may be spread out across state and local agencies that may appear to be unrelated.

An example of how an MOE requirement works is related to the Temporary Assistance for Needy Families (TANF) program. TANF was established by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 as a welfare reform initiative to replace Aid to Families with Dependent Children (AFDC). The former AFDC program was an entitlement program where the federal government reimbursed states at an annually determined reimbursement rate on all expenditures. The federal share for TANF is now provided through a capped block grant allocation with a state MOE. The program is administered by DFC at the state level.

Each fiscal year, states are required to spend 80% of a historic state expenditure for benefits and services for members of needy families to meet the TANF MOE. A state's TANF MOE can be fulfilled by a diverse array of benefits and services, including TANF dollars spent as part of the state's TANF cash assistance program. "State flexibility in program design flows from the state's ability to segregate MOE funds from TANF funds, and to use MOE funds for separate state programs not subject to the requirements that generally apply to TANF cash assistance." (Center for Law and Social Policy, 2002)

Penalties for failing to meet the TANF MOE are non-negotiable, and the federal government disallows any state from presenting a reasonable cause for not fulfilling its MOE. Furthermore, as is the case with many programs involving an MOE, the federal government does not allow a corrective compliance opportunity. There are several consequences if a state fails to meet its TANF MOE. They are as follows:

1. The state's TANF grant will be reduced on a dollar-for-dollar basis in the subsequent year reflecting the extent of noncompliance.
2. The state will be required to expend additional state TANF MOE funds in its TANF program equal to the amount by which the state fell short of meeting the MOE requirement.
3. If the state received a Welfare-to-Work formula grant in the year in which it failed to meet the TANF MOE requirement, the state's TANF grant in the year after the failure will be reduced by the amount of the state's Welfare-to-Work formula grant.

MOE is significant to the way in which the state organizes and manages human services programs. Failure to meet MOE requirements often has an effect beyond the program in which the problem occurred. For example, DMHA's funding for the Substance Abuse and Prevention Treatment Block Grant (SAPTBG) is largely connected to the Tobacco Sales to Minors (SYNAR) program. The state must prove to the federal government that fewer than 20% of teenagers are able to buy cigarettes. If it is unable to do so, the state loses 40% of its SAPTBG funding. If the state fails to fulfill the noncash SYNAR MOE requirement, the wide number of programs funded by the SAPTBG would suffer.

Federally Run Programs

There are several programs in Indiana which are 100% federally run, meaning that the state is minimally involved in the administration of these programs that benefit Indiana residents. In fact, any involvement is usually characterized by one or two state employees strengthening connections between the federal

program and other state programs that would benefit from knowledge of the federal program. An example of one such program is Head Start, the federal program begun in the 1960s as a part of the "War on Poverty" to provide comprehensive child development programs. Head Start serves children from birth to age 5, pregnant women, and their families. The state is not responsible for administration of the Head Start program, but there is one employee who acts as a liaison between state child development programs and the federal Head Start program.

The Divisions

Although the state human services agencies were reorganized in 1991, many of the programs and services that are involved were established long before 1991. By the same token, since the restructuring of state programs and services, certain key programs and services have undergone significant changes in the underlying philosophy and goals. The following is a brief discussion of the history and programs provided in DFC, DDARS, DMHA, and OMPP.

Division of Family and Children

From the FY 2004-05 Appropriations:

Programs and Administration	$1,023,950,955
Funding Source Split[a]	72.7% Federal / 26.1% State
Population Served	From the general population - economically disadvantaged and vulnerable citizens such as children.

[a]State funding sources include both the state General Fund and state dedicated funds. Among the sources of revenue to state dedicated funds are federal funds.

Overview

DFC is the most complex of the four entities being discussed because DFC is responsible for the largest number of programs and the largest number of persons being served by FSSA. DFC programs focus on strengthening families and children with an emphasis on prevention, early intervention, and an aim toward self-sufficiency. Program areas include TANF, food stamps, housing, child support, child protection, child care, adoption, energy assistance, homeless services, medical services eligibility, nutrition assistance, and job programs.

The population served by DFC is extensive and diverse. While the majority of persons served are children and families, the division provides services for people in the larger general population who are economically disadvantaged. Services for the latter include, but are not limited to, unemployment services and food stamps. Assistance with child care and child care provider licensing are also responsibilities of DFC.

DFC's services for certain programs, such as TANF, are time-limited for some persons and not for others. Children are, in general, if eligible for the program,

eligible for services under any circumstance. For example, if a family on welfare times out (i.e., has been on welfare for the maximum time permitted by statute), its children will continue to receive services even though the parents do not.

Program Structure

A large proportion of DFC's programs are federally mandated. Two examples include child welfare and TANF, both of which have changed immensely since FSSA's creation. The changes and their effect on DFC are described below.

Child Welfare: The federal government frequently passes new child welfare laws which place additional mandates on states. For example, in 1997, the Adoption and Safe Families Act (ASFA) was passed which required states to, among other things, conduct a permanency planning hearing for youth 12 months after the day that a child enters into care. In the state, the effect of ASFA could be seen from the larger DFC structure where policy changes were necessary, to the courts where an increase in the frequency of cases being heard occurred, and to child welfare workers who were under pressure to accelerate permanency planning.

Temporary Assistance to Needy Families: Welfare programs underwent a large restructuring in 1996, bringing a new attitude toward welfare recipients and requiring recipients to work toward independence. The changes brought by the TANF program created a whole new method of administering welfare, pushing the responsibility of the welfare system from federal government administration to state administration. States were forced to create a welfare system while keeping federal requirements in mind. Shifts at the federal level create a need for similar state shifts in goals, philosophies, and linkages that underlie this program. Since the state's restructuring of human services in 1991, program structure and emphasis has continued to change for DFC.

The federal government may mandate the structure of the entity that will provide a particular federally funded program or service. At DFC, the federally mandated programs differ in whether or not they have an overlying structure established by the federal government. Several of the programs are somewhat flexible. In some cases, the federal government may establish an overlying structure, but leave portions of the overall program design to the states. For example, states participating in TANF may decide whether or not they wish to provide financial assistance through TANF for single mothers attending school.

Other programs are completely structured by the federal government. For example, states must provide an Independent Living Skills program for youth emancipating from the foster care system within child welfare programs. In another example, the First Steps Program mandates that to receive federal funding, only certain services be provided for a certain group of youth. The state may not add additional services to those specified by the federal government.

Also unique among the state's human services providers, DFC has the largest number of state-initiated programs. For example, a state-identified need for child care has led to the creation of several child care assistance programs

outside of the federally mandated Child Care Development Fund (CCDF) program. DFC has also continued programs that were originally federal programs but for which the funding has been discontinued. An example is the system of Youth Services Bureaus. The Bureaus were originally established by the federal government in the 1960s. When funding was discontinued, the state initially withdrew from participation, but then resumed the program when a need was evident.

The state organizational structure supporting federal programs may vary from the federal organizational structure as programs in various federal entities are united in one state division. DFC provides programs that are provided by the federal Department of Health and Human Services (TANF), the United States Department of Agriculture (Food Stamps), the Department of Energy (Home Weatherization), and the Department of Education (First Steps and Early Intervention).

Funding

Funding for DFC programs is a combination of federal, state, and local money. One of the larger programs, TANF, is funded through a federal/state match process with the federal money coming from a block grant. Child welfare is funded by both the state and federal governments. However, in this case, the federal government only reimburses for individuals meeting certain eligibility criteria, as opposed to reimbursing a certain percentage of the overall cost. Other programs that are state-initiated have funding from a large variety of sources. Hospital Care for the Indigent is funded through a property tax levy; Hoosier RX is funded with tobacco master settlement agreement funds; and the School Age Child Care Project Fund, while originally funded with Cigarette Tax money, is now funded through the state General Fund.

Additionally, DFC receives a great deal of its federal funding through the Social Services Block Grant (SSBG). SSBG funds are shared with the other divisions of FSSA as well as the Department of Correction and the Department of Health.

Division of Mental Health and Addiction

From the FY 2004-05 Appropriations:

Programs and Administration	$207,734,216
Funding Source Split	37.2% Federal / 62.8% State
Institutional Expenditures	$144,048,167[a]
Population Served	From the general population - persons with addiction or mental heath problems who are economically disadvantaged.

[a]Federal funds reimbursing state expenditures are recovered by the state and placed in a state dedicated fund called the Mental Health Fund. Expenditures for institutions are appropriated from the state General Fund and the Mental Health Fund. For institutions operated by DMHA, when the source of recovered funds is considered, the federal/state funding source split is 13.6% federal/86.4% state.

Overview

DMHA programs provide services for people from the general population with a variety of problems such as addiction or mental illness. Adults, adolescents, and children are provided services for drug, alcohol, or gambling problems, and prevention is a major aim of DMHA. The division assures the availability of accessible, acceptable, and effective mental health and chemical addictions services for the economically disadvantaged.

DMHA provides services through the Hoosier Assurance Plan (HAP). HAP is the primary funding system used by DMHA to pay for mental health and addiction services. DMHA contracts with managed care providers who provide an array of care for individuals who meet diagnostic, functioning-level, and income criteria. Persons eligible for HAP must:

1. Qualify for Medicaid, food stamps, or fall at or below 200% of poverty.
2. Meet certain evaluation criteria that are determined by a mental health professional.
3. Provide proof of income.
4. Provide their social security number.

Historically, the main function of DMHA was to provide mental health services in state institutions. With Olmstead and changes in best-practice theories, DMHA has branched out into other areas of service. DMHA currently concentrates resources at preventing teen smoking and for homeless programs. While the majority of DMHA programs are aimed at individuals with mental health or addiction issues, the homeless programs are directed toward the general homeless population. The focus on homelessness results from the high percentage of homeless who have either a mental health problem, a substance abuse problem, or both.

Program Structure

DMHA has very few state-initiated programs, and, as a result, DMHA's program structure is dictated by the federal government for those programs which are federally mandated. The majority of DMHA programs are either mandated by federal law or the result of federal grant money for which the state has applied. Federally mandated programs do not allow the state much flexibility, but this is not the case for the federal grants. While grants do not allow a lot of flexibility for structuring a program, the state does have flexibility in deciding which grants to apply for. By applying for grants, the state exercises a choice in the resources and programs that it provides. Indiana increases the number of available programs at DMHA by applying for a significant number of federal grants. It is estimated that over 50% of its programs are funded in this way.

Funding

Funding for DMHA programs comes from the federal Substance Abuse and Mental Health Services Administration (SAMHSA) and the Substance Abuse and Prevention Treatment Block Grant (SAPTBG), as well as several individual grants. Federal mandates create a sense of stability at DMHA because the majority of these programs were implemented prior to the creation of FSSA and have not changed much since their inception. Federal grants, on the other hand, have been applied for more recently. These grants tend to be short in duration and, as a result, create a constant turnover in the programs available and the populations to be served.

The state initiated the Gamblers Assistance Program in 1993, when 11 riverboat gambling sites were created. The Legislature required that $0.10 of each Admission Tax paid to the riverboat go to DMHA for the prevention and treatment of problem gambling behavior. In 1995, the Legislature amended the law to allow for 75% of the funding to be used for the prevention and treatment of alcohol and drug abuse and compulsive gambling. A minimum of 25% of the riverboat funding is required to be allocated to compulsive gambling programs. The alcoholic beverage excise taxes are another state source for addiction treatment for low-income individuals.

The Division of Disability, Aging, and Rehabilitative Services

From the FY 2004-05 Appropriations:

Programs and Administration	$320,164,515
Funding Source Split	37.2% Federal / 62.8% State
Institutional Expenditures	$86,374,018[a]
Population Served	From condition-qualifying populations - persons with disabilities or the elderly, primarily economically disadvantaged.

[a]Federal funds reimbursing state expenditures are recovered by the state and placed in a state dedicated fund called the Mental Health Fund. Expenditures for institutions are appropriated from the state General Fund and the Mental Health Fund. For institutions operated by DDARS, when the source of recovered funds is considered, the federal/state funding source split is 44.7% federal/55.3% state.

Overview

The population served by DDARS is more limited in scope than the populations already discussed. This is due largely to the eligibility criteria which initially eliminate certain portions of the state's population. As its name indicates, DDARS serves the disabled and aging populations. Leaving the general population behind, DDARS serves individuals of all ages with disabilities, elderly persons, and family members of those falling in the previously mentioned categories. In most cases, income criteria apply to DDARS programs, and the unit serves indigent Hoosiers.

DDARS helps people with disabilities and older Hoosiers maintain independence through in-home services, supported employment, independent living, nutrition, deaf and hard-of-hearing services, blind and visually impaired services, and Social Security Disability eligibility.

Program Structure

The majority of DDARS programs were established prior to the creation of FSSA. In general, services for DDARS are provided in locations which allow for easy access. DDARS programs are provided primarily through contracted agencies, as follows:

Aging: DDARS contracts with Indiana's 16 Area Agencies on Aging (AAA) to provide its services for the aging population. Its uniformity of services provided in decentralized locations is supported by the state's effort to simplify funding. In FY 2000, Indiana created one line-item appropriation for the funding of aging services.

Disabled: Services for the disabled population tend to be decentralized but uniform as well. A large number of services for the disabled are provided through local Vocational Rehabilitation offices and the Bureau of Developmental

Disabilities Services. These offices provide or contract for a wide array of services including: (1) blind and visually impaired services, (2) independent living skills, and (3) community services.

Funding

The majority of DDARS programs are federally mandated. As discussed above, federally mandated programs provide for the structure of the larger organization. In this case, a separate entity is mandated by the federal government. Flexibility is allowed in the creation of the smaller parts of the programs. An example is the Long-Term Care Ombudsman program which is mandated by federal law. Each state, however, decides what services to provide through the Ombudsman program.

In addition, there are several state-initiated programs within DDARS. In general, these programs are directed towards the elderly population, and some examples include Adult Protective Services and the Adult Guardianship Program.

The largest state-funded program in the division is the Community and Home Options to Institutional Care for the Elderly and Disabled Program (CHOICE) which receives an average annual appropriation from the state General Fund of $47 million based on appropriations for the FY 2004-05 biennium. CHOICE provides community and home-based services to aged or disabled individuals at risk of institutionalization.

DDARS has several programs which are funded through agencies other than the federal Department of Health and Human Services (DHHS). For example, the Senior Community Service Employment program is administered through the U.S. Department of Labor. Another example is the Accessing Technology Through Awareness in Indiana (ATTAIN), funded through the U.S. Department of Education. This program provides funding to the Protection & Advocacy System, or as it is referred to in Indiana, the Indiana Protection and Advocacy Services (IPAS). IPAS advocates for persons with disabilities and who are seeking technology or related services.

Office of Medicaid Policy and Planning

From the FY 2004-05 Appropriations:

Programs and Administration	$4,391,818,059
Funding Source Split	70.0% Federal / 30.0% State
Population Served:	From the general population - economically disadvantaged or significant disabilities.

Overview

Unlike the divisions, according to statute, OMPP is a part of the Office of the Secretary of Family and Social Services. OMPP is required by statute to have a memorandum of understanding with each of the three divisions of FSSA

concerning the administration of programs, accountability and auditing responsibilities, and which allows each division to advise on rules and standards of Medicaid programs. The memorandum of understanding highlights OMPP's role as a service agency and shows that OMPP's population is made up of the clients in the three other divisions.

Medicaid was implemented in Indiana on January 1, 1970, and was known as Medical Assistance. The program is included in Title XIX of the federal Social Security Act of 1965. It is administered at the federal level by the Centers for Medicare and Medicaid Services (CMS), which is a part of the U.S. Department of Health and Human Services. The program is voluntary, and a state can decide not to provide Medicaid or health insurance for the low-income or medically needy populations. Currently, 49 states choose to implement a Medicaid program.

Medicaid assists low-income residents of Indiana by providing insurance coverage for health care services, and OMPP administers the program, although other divisions may be involved in eligibility decisions.

Program Structure

The federal government has created the larger structure for the Medicaid program, however, it allows states to have some flexibility in deciding what the parameters of the program will be. This flexibility extends to the categories of individuals served and types of services provided.

The three larger populations for which a state is mandated to provide services include children and families, the disabled, and the elderly. However, states may choose to provide services to what are called "optional" categories of persons, such as employees with disabilities, and children who are wards of the court. States often choose not to provide services for optional categories because of the resultant increase of expenditures for the Medicaid Program. Indiana serves very few optional populations. The federal government also mandates the services that must be provided. Again there are "optional" services that states can choose to offer. Indiana offers a large number of optional services.

The federal government sets thresholds for eligibility for Medicaid programs based on a percentage of the Federal Poverty Level (FPL). A state must serve at least the minimum percentage, but may serve up to the maximum percentage. (Note: States may provide services to individuals above the maximum percentage, however, they will receive no federal monetary reimbursement for those services.)

Thresholds set by the federal government vary by population category. For example, under the Medicaid Program, the federal government requires states to provide services for children between the ages of 6 and 19 who are either at or below 100% of the FPL. If the child is under six, however, services must be provided for those at or below 133% of the FPL. For children under six, according to federal reimbursement guidelines, services may not be provided to anyone above 185% of the FPL. Indiana has instituted a program which provides health care services to any child at or below 150% of the FPL through the Children's Health Insurance Program (CHIP).

Waivers

Federal regulations sometimes permit states to use a "waiver" or exception from one or more of the federal program requirements. A waiver allows the state to provide services in a setting other than in an institutional setting, to provide services not otherwise available in the state Medicaid Plan, or to specified individuals who would not otherwise be eligible. Indiana currently has eight home- and community-based services waivers including:

1. Aged and Disabled
2. Autism
3. Developmental Disabilities
4. Medically Fragile Children's
5. Traumatic Brain Injury
6. Assisted Living
7. Supported Services
8. Serious Emotional Disturbance

These waivers make Medicaid funds available for home- and community-based services as an alternative to institutional care under the condition that the overall costs to Medicaid for supporting waiver recipients in the home or community is no more than institutional care would have been for those individuals as a group.

Individuals must be Medicaid-eligible to receive a waiver. With the exception of the Assisted Living Waiver and the new Serious Emotional Disturbance Waiver, all of the waivers have extensive waiting lists. Waiver waiting lists exist because the federal government approves a limited number of slots for certain waiver types, or because the state funds fewer slots than are available in total.

Exhibit 1 is a summary of Indiana home- and community-based services waivers.

Exhibit 1: Home- and Community-Based Services Waivers

Waiver	Number of People Currently Served	Waiting List (Duplicated)
Aged and Disabled	4,328	2,726
Assisted Living	70	36
Autism	347	2,291
Medically Fragile	130	826
Traumatic Brian Injury	174	227
Developmental Disabilities	5,139	11,361
Support Services	3,550	7,145
Serious Emotional Disturbance	1 (pending)	0
Source: Presentation to Government Efficiency Commission Subcommittee on Medicaid and Human Services, June 22, 2004.		

Funding

Medicaid is funded jointly by the federal and state governments. States are reimbursed by the federal government for a certain portion of money spent on populations served. The reimbursement amount is dependent on the per capita income of the state. States above the national average per capita income receive a lower federal matching rate, while those states below receive a higher rate. Currently, Indiana is reimbursed for approximately 62% of money spent on Medicaid direct services. This reimbursement rate is standard for most Medicaid programs, however, the reimbursement rate does vary for some types of expenditures, such as administrative and computer systems development.

Indiana also receives what is called an "enhanced" reimbursement for the CHIP program, 73% federal with a 27% state match. This "enhanced" reimbursement is the result of the state's electing to provide service for a portion of the CHIP population which exceeds the base threshold for service set by the federal government.

The majority of the state's match money for Medicaid programs comes from the state General Fund. However, when the state receives an enhanced reimbursement for the CHIP program, the state match comes from revenue received from the Tobacco Master Settlement Agreement.

Discussion

While some of the programs funded or reimbursed by the federal government have changed little since human services were restructured in 1991, the underlying philosophy concerning some of the programs has changed greatly. The changes primarily occurred in the mid-1990s with welfare reform. Since

welfare and related child care programs are mainly administered in DFC, this division has undergone the most change since FSSA was formed in 1991. However, changes in best-practice effects all the divisions. As seen above, DMHA funds extensively through federal grants which may be short-lived and tend to follow best-practice trends.

Since many FSSA programs are federally mandated, the state's ability to tailor programs is somewhat limited. Most flexibility comes from states creating and administering programs which provide more optional services. Indiana has pursued waivers under the Medicaid program to provide more services at home or in the community.

The populations served by each division overlap to some degree. The Medicaid program overlaps all divisions by serving the economically disadvantaged of the state. Other divisions overlap in two ways:

1. Programs may address the same population - DMHA provides programs that target the homeless population while DFC also has programs for the homeless.

2. Individuals may qualify for programs within more than one division - this occurs when an individual is dually diagnosed or when the individual or family has more than one problem to address.

It is the interconnectedness of these populations that provided an incentive to organize human services programs in a way which will reduce fragmentation and duplication.

Section 3. Existing Organizational Structure in Statute.

Reorganizing the human services agencies' structure to better deliver programs and services is on the agenda in many states. For example, it appears that both Massachusetts and Texas are moving toward a more centralized, single agency (State of Massachusetts website and Robison, June 20, 2004). In Massachusetts, the proposed consolidation would address communication and coordination issues. In Texas, recognition of fragmentation and duplication caused by multiple agencies handling human services led to the proposed consolidation.

Other types of reorganization being considered by states include Kentucky, where the governor, while maintaining its umbrella organizational structure, has combined two cabinets together, joining health and family services (state website). In Oregon, which is already considered highly consolidated, the legislature has consented to reorganize field offices and administrative functions, including computer systems, to improve service integration (Seller, 2002).

Underlying the current trend toward consolidation of human services agencies, "best practice" seems to be coordination of planning. According to the National Conference of State Legislatures, collaborative structures first emerged 15 years ago as informal bodies. In the last 15 years these bodies have increased and

become more formalized. As reported, these state collaborative bodies include umbrellas, coordinating councils, cabinets, and commissions (Robison, 2004). One of the apparent differences among these bodies is the ability of the collaborative body to impose its will on agencies it coordinates.

From the review of activity in other states and the minimal literature available on state organizational structures for human services agencies, there does not appear to be an ideal model for organizing state human services agencies. States seem to grapple with many of the same issues including integration of services, reduction of fragmentation and duplication, and improving communications. As state budgets become tighter, other issues that will be considered include cost savings, quality control, and paying only for programs that perform.

Indiana appears to have a head start on considering some of these issues. For example, the discussion on service integration began in 1990 with the recognition that similar services were being provided by separate agencies to many overlapping populations. Also, through consolidation, some administrative cost savings have been achieved. For example, if each entity of FSSA were separated or did not share centralized computer systems support, administrative costs for computer support would rise.

In this section, the origins of the organizational structure for human services programs are explored. The statutory organizational structure and the operating organizational structure are compared, and the differences uncovered are discussed in terms of strengthening the statute.

How Indiana's Structure Evolved

In 1990, the Legislature requested that LSA perform an evaluation of human services programs that resulted in a group of reports, referred to here as the LSA Reports. The LSA Reports were released in the summer of 1990 and the fall of 1991 detailing the population characteristics and program and service conditions for children with special needs, adults with disabilities, families in poverty, long-term care and the elderly, and individuals with mental health needs. In the first year, the reports were designed to provide background on state human services programs and to examine the organization of the programs for specific population groups. The reports studied improvements in local human services programs in the second year.

The original purpose of the LSA Reports was to improve the legislative decision-making process and, ultimately, state government operations by providing information about the performance of state agencies and programs through evaluation. Since the legislation creating the reorganized agency was enacted during the 1991 legislative session, the LSA Reports were not used for deliberations as originally intended, but rather set the stage by describing problems and issues in the existing system.

At approximately the same time as the reports were being prepared, the Governor's office issued a request for proposal to prepare a detailed plan for reorganization of Indiana's health and human services programs. Arthur

Andersen Consulting received the commission and, in November 1990, the Andersen Plan was released with details for the reorganization of existing departments, programs, and services into a single agency.

Although the Andersen Plan is widely thought to be the blueprint for the reorganization of human services, other plans and proposals were being considered. In fact, there were three bills introduced in the 1991 legislative session to reorganize health and human services agencies. A synopsis of the introduced bills follows:

HB 1918 - This bill would have maintained separate departments, but the existing entities would have been renamed and the entities' responsibilities would have been reorganized. Of special note, Medicaid administration would have transferred from the renamed State Department of Family and Children to the State Department of Health. This bill was assigned to the House Committee on Governmental Affairs.

HB 1846 - Under this reorganization plan, various existing agencies would have been consolidated into a single Department of Family and Social Services, headed by a commissioner. The State Board of Health would have been renamed the State Department of Health and also headed by a commissioner. After passing on third reading from the House of Representatives, this bill was assigned to the Senate Committee on Rules and Legislative Procedure.

SB 617 - This bill would have realigned the responsibilities of the existing departments that provided health and human services without renaming the departments. Under the bill, Medicaid administration would have been the responsibility of the State Board of Health. This bill underwent significant changes and was eventually enacted as P.L. 9 of 1991.

Enacted into Statute

P.L. 9 of 1991 created the Office of Secretary of Family and Social Services and realigned responsibilities among three departments that were renamed divisions. In the next legislative session, P.L. 2 of 1992 recodified the statutes concerning human services programs and consolidated the sections into Title 12 of the Indiana Code. A number of the sections that now make up Title 12 were not amended by P.L. 9 of 1991 except for changing the authority for the programs and responsibilities from departments to divisions. This section summarizes the current statutes concerning the position of secretary and of the division heads. It points out changes from the enabling statute. (A detailed review of the current statute and the changes since P.L. 9 of 1991 is available in Appendix I.)

Office of the Secretary

P.L. 9 of 1991 created a new position of Secretary of Family and Social Services, appointed by the Governor, to coordinate family and social service programs among the divisions. The assigned duties of the Secretary, through the offices, include:

1. Coordinating technical assistance for the divisions with compilation of divisional budgets, and oversight of the fiscal, management, administrative, and program performance of the divisions.

2. Accountability for resolving conflicts among divisions and coordinating the activities of the divisions with other entities including the General Assembly and other state agencies.

3. Communicating with the federal government and other states.

4. Developing and monitoring the central management information system and a centralized training program for orientation and cross-training.

5. Overseeing policy development and management of the state Medicaid program.

6. Liaison with other governments and private service providers.

The Secretary has the power, through the offices, to employ experts and consultants and to use state-owned facilities without reimbursement, accept funds in the name of the state, as well as voluntary or uncompensated services, and expend funds. Also, through the offices, the Secretary has the power to establish and implement policy and advise the Governor concerning division rules, create advisory bodies, and perform other acts necessary to implement the Act. The Secretary may adopt rules, with the consent of the Family and Social Services Committee, relating to the exercise of powers and duties in the Act. In cooperation with the Commissioner of the State Department of Health, the Secretary is accountable for formulating overall policy for family, health, and social services in Indiana.

Current statute indicates that the Secretary has administrative responsibility for the Office of the Secretary and may organize the Office to perform its duties. In P.L. 9 of 1991, the newly established Office of the Secretary included the Secretary; Office of Administration; Office of Information Technology; Office of Medicaid Policy and Planning; and the Office of Planning, Innovation, and Federal Relations. However, P.L. 253 of 1997 repealed the Offices of Administration; Information Technology; and Planning, Innovation, and Federal Relations. Under current law, only the Office of Medicaid Policy and Planning (OMPP) and the more recently established Office of the Children's Health Insurance Program (OCHIP) are specifically named.

OMPP, designated the single state agency for the administration of the Medicaid program, develops and coordinates Medicaid policy. The Secretary, however, is the ultimate authority for the state Medicaid program. OMPP develops written memoranda of understanding with the Division of Mental Health and Addiction (DMHA); the Division of Disability, Aging, and Rehabilitative Services (DDARS); and the Division of Family and Children (DFC) that provide for administration of programs, accountability, and auditing responsibilities, and allow for each of the divisions to advise on rules and standards. The memoranda of understanding also facilitate communication between the divisions and OMPP.

OCHIP designs and administers a system to provide health benefits coverage for children eligible for the program and establishes performance criteria and evaluation measures, monitors program performance, and adopts formulae for premiums. OCHIP administers the Children's Health Insurance Program Fund to pay expenses of the program and services offered through the program.

Divisions

Three divisions were enacted in P.L. 9 of 1991 and, although the division names have changed, there has been no change in the number of divisions specified in statute. The three divisions include the Division of Disability, Aging, and Rehabilitative Services; the Division of Family and Children; and the Division of Mental Health and Addiction. Under the divisions are bureaus, and programs are assigned in statute to the divisions and bureaus. The divisions, for the most part, were assigned programs that previously had been assigned to one of three departments without any change to the statutory program descriptions.

Division Directors

The division directors are appointed by the Secretary with the consent of the Governor, and the director is responsible to the Secretary for the operation and performance of the director's division. The directors are the appointing authority for their division and may make rules relating to the operations of their divisions or implementation of programs within their divisions. However, the director consults with the Secretary on issues of family, social services, or health policy. The director is responsible for divisional budget development and presentation.

In addition to these general duties, each division director has responsibilities designated in statute. Some of these duties are discussed below.

DDARS - The DDARS director has powers similar to the Secretary's, but only concerning the divison. These powers include employing experts and consultants to assist the division in carrying out its function; accepting funds and voluntary and uncompensated services in the name of the division; utilizing services and facilities of other state agencies without reimbursement; expending funds, establishing rules, and implementing policies and procedures for the division; and performing other acts necessary to carry out the functions of the division.

The director may enter into contracts for the disbursal of money for approved community mental retardation and other developmental disability centers. However, the director must submit the contract to the Attorney General for approval as to form and legality. The DDARS director has administrative control and responsibility for the Fort Wayne State Developmental Center, Muscatatuck State Developmental Center, and other state-owned and -operated developmental centers and, with the approval of the Governor, may appoint superintendents.

DFC - The DFC director must execute a bond and take and subscribe to an oath. The director appoints state investigators or boards of review to ensure fair hearing to applicants or recipients. The director adopts policies and rules for DFC and is responsible for the administrative and executive duties and

responsibilities of DFC. The director establishes salaries for officers and employees of DFC. The director establishes the minimum standards of assistance for old age and dependent child recipients. The director appoints personnel to efficiently perform the division's duties and bureau heads or other people who report directly to the director. The director prepares for the state budget director a budget of money necessary to operate division programs, and includes an estimate of all federal money that may be allocated to the state.

DMHA - The DMHA director organizes the division and, subject to approval, establishes qualifications and compensation for all deputy directors, assistant directors, bureau heads, and superintendents. The director studies the entire problem of mental health, mental illness, and addiction in Indiana. The director adopts rules for standards of operations for licensed private mental health institutions, licensing supervised group living facilities, certifying community residential programs and community mental health centers, and for establishing exclusive geographic primary service areas for community mental health centers.

In conjunction with an accredited college or university, the director institutes programs for the instruction of students of mental health and other related occupations. The director develops programs to educate the public and makes the facilities of the Larue D. Carter Memorial Hospital available for student instruction. The director establishes, supervises, and conducts community programs for the diagnosis, treatment, and prevention of psychiatric disorders. The director establishes, maintains, and reallocates long-term care service settings and state-operated, long-term care inpatient beds.

The director compiles information and statistics concerning program or service recipients and establishes standards for each element of the continuum of care for community mental health centers and managed care providers. The director adopts rules concerning the records and data to be maintained concerning individuals admitted to state institutions, community mental health centers, or managed care providers.

The director may enter into contracts for the disbursal of money and the provision of services. The director, deputy directors, DMHA bureau heads, and superintendents of state institutions may administer oaths, take depositions, and certify official acts.

Overview of Indiana's Organizational Structure

The organizational structure under which FSSA operates was depicted in an overview prepared for this evaluation by FSSA. The complete organizational chart is available in Appendix II. Below is a brief summary of the organizational chart with a comparison made between the chart and statute.

According to the FSSA organizational chart, the deputy secretary and the divisional and administrative directors report directly to the Secretary of Family and Social Services. Four of the directors oversee operational units including the Division of Family and Children; Mental Health and Addiction; Disability, Aging, and Rehabilitative Services; and the Office of Medicaid Policy and Planning.

These units are shown on the same line, indicating an equal amount of responsibility or suggesting that they are parallel in authority. Under the Indiana Code, the Office of Medicaid Policy and Planning is part of the Office of the Secretary of Family and Social Services while divisions are related to the Office of the Secretary through the responsibilities of the division director.

The administrative offices include a chief information officer; budget and finance; office of general counsel; human resources; and policy, planning, and communications. The director of audit reports to the deputy secretary.

Under the division directors are deputy directors who are in charge of bureaus. Regional managers also report to the DFC director. A number of the bureaus' names correspond to the statutory names of bureaus, but some of them do not correspond. According to FSSA, although the bureaus do not have the same names as are given in statute, the bureaus perform the same responsibilities.

Discussion

The overview of the agency prepared by FSSA indicates that the Andersen Plan is the basis of its structure, and testimony before the Health Finance Commission in 2003 also cites the Andersen Plan as the forming document.

While it is widely perceived that the Andersen Plan was the basis for the statutory reorganization of human services agencies, this does not appear to be the case. Instead, the statutory organizational structure seems to be a compromise among many proposals and ideas of how the state's human services agencies could be integrated for better service delivery. Since the structure is a compromise, there is no document to act as a guide to answer questions about the organizational structure. Just as any other part of the statute would be read, the only guidelines for the structure are the words on the page of the statute.

The importance of the Andersen Plan may have been in the implementation of the statute. The Andersen Plan would have created a single entity with divisions established along program lines, whereas the statute indicates that the directors are the ultimate authority for divisional and divisional program operations, but responsible for the performance of their division to the Secretary. Under the operating organizational structure, the divisions appear to be more subordinate to the Office of the Secretary, rather than the somewhat less direct controls established in statute. Other actions taken during implementation seem to indicate that the entity is more centralized than statute would have created including the use of the name 'Family and Social Services Administration'. This name appears only three times in the Human Services title in sections added to the Code in 1995, 1999, and 2000. None of these sections actually establish an administration.

Also important in understanding the relationship of these entities, the enabling statute created several offices within the Office of Secretary to perform certain functions for the divisions. The responsibilities of the Secretary are to be carried out through these offices. The functions of the offices in P.L. 9 of 1991 are as follows:

1. **Office of Administration** - financial management and procurement of supplies and services.

2. **Office of Information Technology Services** - development of systems, production support, strategic and analytical system, and technical architecture.

3. **Office of Planning, Innovation, and Federal Relation** - developing and monitoring strategic planning and innovation, and management of the relationships with the federal government and political subdivisions.

The purpose of the Act which repealed the offices was to make technical corrections. It was not specifically making changes to FSSA.

In 1997, these offices were repealed. Although the offices were repealed, the Secretary's responsibilities through the offices was never amended. Since these offices were the vehicle through which the Secretary carried out responsibilities, the question is raised whether eliminating the offices removed these centralizing support services from the responsibilities of the Secretary.

These differences between operations and statute suggest that either operations or statute should be revisited to better reconcile the two. The reconciliation would benefit the position of both the Secretary and the directors. Based on interviews conducted for this evaluation, some secretaries find that they must spend time discussing their role rather than an issue of concern, because some people feel that they do not have a role in divisional programs. Also, directors reported that their role in relation to other heads of state departments is questioned. Organizational structures should create clear lines of authority for effective management.

While the discussion of the statutory organizational structure and the operating structure set the stage, this evaluation is concerned with whether operations are effective and what types of changes could be made to the organizational structure that would improve the agency's performance. These issues are explored in the next section.

Section 4. Evaluation of the Current Organizational Structure

In July 1995, pursuant to a legislative directive, Legislative Services Agency (LSA) released a report evaluating whether the goals for reorganization had been achieved. The 1995 report surveyed both the LSA Reports and the Andersen Plan to determine the goals of the reorganization, and found that the goals could be broadly restated as (1) improving the administration and management of human services and (2) improving the delivery of services. In its report, LSA reviewed a list of achievements provided by FSSA for the report. The achievements discussed in the LSA report were selected based on how well the achievement represented one of the two main goals. To evaluate each of the achievements, LSA surveyed several groups representing a sample of the consumers and providers of human services, state employees associated with FSSA, council members, and FSSA administrative personnel.

For the most part, the accomplishments identified by FSSA positively reflected on the reorganization of human services. Of the many accomplishments reviewed, the reorganization allowed the state to receive additional reimbursement of federal funds for Medicaid, begin implementation of the ICES and ISETS computer systems, and develop the Step Ahead Process. However,

the surveys and additional interviews indicated that the centralization of the agency may have gone beyond the level of efficient management to create a slow decision-making process. This concern was tied to the fact that the department commissioners in the previous organizational pattern reported to the Governor, while under the reorganized model, the directors reported to the Secretary, who in turn reported to the Governor.

This evaluation continues to seek answers about the effectiveness and efficiency of the organizational structure of the Office of the Secretary of Family and Social Services. In this section, several issues concerning the organizational structure raised by statute (IC 2-5-21) and LEOPS recommendations will be explored. The areas to be covered include:

1. Continuity of Leadership - the extent to which the organizational structure supports the role of the secretary.
2. Management Efficiency - the extent to which the organizational structure supports the work of the agency.
3. Interagency Communication - the effect the organizational structure has had reducing fragmentation and duplication.
4. Fiscal Accountability - the extent to which the organizational structure allows control of the agency's activities.
5. Budget - an analysis of support and administrative staff and expenditures within Family and Social Services and the way that budgeting can be used to make FSSA better or less expensive.

Methodology

The 1995 LSA report can be found at http://www.in.gov/legislative/pdf/Fssaweb.pdf.

One prominent feature of the 1995 report is that most of the survey responders were able to contrast the reorganization of human services with the previous organizational structure. Today, such a study is not feasible, even though most of the same groups were surveyed in this report. Instead of making comparisons between two systems, respondents from Area Agencies on Aging, Community Action Programs, Children's Bureau, The Arc, community mental health centers, Step Ahead Councils, and assorted advocacy groups reacted to statements and questions derived from the benefits or goals for reorganization that had been identified by the LSA Reports and the Andersen Plan.

Over 200 surveys were sent out either by email or traditional mail. A significant number (103) of surveys were returned. In the total population of returned surveys, close to half were answered by Step Ahead Councils (44). Community mental health centers (17) were the next largest subset. (Survey results can be found in Appendix III.)

In addition to the LSA survey, interviews were conducted with former secretaries. The focus of these interviews was to examine the degree of continuity in leadership between tenures. From these interviews, information about other areas of operations was received, and this has been incorporated in the overall evaluation.

For both the survey respondents and the former secretaries, confidentiality was

promised. Throughout this section, opinions expressed are not attributed to a single individual because they represent a majority of the respondents or a theme common among the responses.

General population of states identified with a consolidated organizational structure in 1991

State	2000 Census (million)
North Dakota	0.6
Utah	2.2
Iowa	2.9
Oregon	3.4
Wisconsin	5.4
Washington	5.9
North Carolina	8.0
Indiana's general population in the 2000 Census was 6.0 million	

Another source of evaluation was comparison between Indiana and other states. Out of the seven states identified in the LSA Reports and Andersen Plan as having a consolidated organizational structure, Washington, Wisconsin, and North Carolina were selected based on their 2000 general population census. For additional comparisons, states with an umbrella organizational structure were also chosen, including Massachusetts, Kentucky, and Virginia. California was rejected from comparison due to the disproportional population size. During the course of research for this evaluation, it was noted that Massachusetts through its budget process is considering reorganizing from a cabinet organizational structure to a consolidated agency. Kentucky's governor consolidated its Cabinet for Health Services with its Cabinet for Families and Children, although this has not been approved by the Kentucky legislature and may be in some flux at this time.

State documents reviewed include the state single audit performed in accordance with federal Office of Management and Budget Circular Number A-133, which requires an annual audit of the financial statements and federal awards for nonfederal entities that expend more than $500,000 per year in federal funds. The State Board of Accounts (SBOA) prepares this document including an attached Schedule of Findings and Questioned Costs. The document describes problems found with accounting practices including current year and unresolved prior listings. The report covers all state agencies, but most findings relate to Family and Social Services and the Department of Transportation, the two state agencies that receive the most federal funding. Also reviewed was a special SBOA report concerning Daybreak, Inc., and a conversation was held with the State Examiner concerning the internal audit process at FSSA.

The Family and Social Services Administration provided information about contracts entered into since FY 2000, including the contract amount and the first page of each contract. In addition, interviews were conducted with the division directors of DMHA, DDARS, and DFC; the Budget and Finance Director; the Chief Information Officer; the Director of Human Resources; and the Audit Director.

Continuity of Leadership

Since 1991, there have been nine secretaries leading Family and Social Services, which translates to an average length of service of about one and a half years, with the actual range between nine months and three years. Given this level of turnover, concern has been raised that there is not enough continuity between secretaries and, more importantly, that the organizational structure places too heavy a burden on the secretary position, which leads to high turnover in secretaries.

Continuity Issues

On average, the tenure of human services secretaries for Indiana, Washington State, North Carolina, Wisconsin, and Virginia varies between two years or less and four years. In Exhibit 2, which shows the frequency of tenure for these states, 61.0% of the secretaries remained in the position three years or less. In Indiana, seven of the eight secretaries who have completed terms have served three years or less. Indiana has the shortest average length of tenure of the states of all the states surveyed, but is on par with Virginia and Washington State in percentage of secretaries that have served three years or less.

Exhibit 2: Count of Secretaries' Length of Service

	Indiana	Cumulative	North Carolina	Virginia	Washington	Wisconsin	Four State Cumulative
Less than 1 year	1	12.5			8		19.5
1 year or more, less than 2 years	5	75.0	1	2	3	2	39.0
2 years or more, less than 3 years	1	87.5	1	2	5	1	61.0
3 years or more, less than 4 years	1	100.0	1	2	2	2	78.0
4 years or more, less than 5 years		100.0	2		1	1	87.8
More than 5 years		100.0	2			3	100.0

Turnover at the secretary level changes the direction for the agency as each new leader brings a different management style and set of priorities. A number of the former secretaries interviewed discussed this drawback to the turnover rate. According to these sources, the length of time required to set a new course for the agency is long in comparison to overall service length. They also noted that turnover at the top of the agency can result in feelings of uncertainty among members of the agency staff who do not know what will be expected from each new leader.

Average Length of Tenure by State:

State	Years
Indiana	1.6
Washington	1.7
North Carolina	4.3
Wisconsin	4.1
Virginia*	2.0

*Virginia provided information in years, while other states provided the number of months.

Most of the former secretaries interviewed for this report indicated that their own transition into the position was not difficult. A number of secretaries commented that their predecessors were good managers, which allowed the incoming secretary to feel confident in the staff. A number of former secretaries indicated that they communicated by phone several times with the previous secretary during the transition period. Additionally, a couple of the secretaries have remained at the agency in other capacities at the end of their term or have remained in contact with one another on a periodic basis. Based on the interviews, for the incoming secretary, the transition process appears to be fairly smooth.

However, the transition between secretaries may not be as smooth for the organization. In the organizational structure, the secretary is responsible for setting policy and long-term planning for human services. When the secretary changes within short periods of time, the planning horizon is also shortened. In each interview the former secretary was asked what the most important issues were during their tenure, and the results indicate that current issues confronting each secretary changed with the administration. For example, one secretary indicated working with the federal government on welfare was the primary issue, the next was state hospital closure, the next was long-term care, and so on. The point is that outside influences or personal interests may not allow secretaries to focus on the same issue from one administration to the next, and the resulting planning horizon for the organization is about one and a half years in length.

Organizational Structure Demand

In discussing the demands of the job of Secretary of Family and Social Services, many of the former secretaries indicated that the position requires dedicating significant amount of time to the agency. Several described the position as a 24-hour-a-day/seven-day-a-week job. The reasons most often discussed for leaving the position, however, did not include the amount of time dedicated to the position. Family considerations and self-imposed time limits in the position were among the most common reasons that secretaries left the position. Two of the former secretaries expressed some dissatisfaction with trying to effect change within the organization.

A number of people interviewed for this report compared the secretary position with that of a chief executive officer (CEO) of a public corporation. As a result, information about the average tenure for a CEO was sought for comparison. Although no comparison was made to corporations of comparable size (approximately $6 billion in annual revenues), it appears that, in general, CEOs are serving shorter tenures than in prior years. The majority of CEOs in an international study had worked less than three years in their current position, and most corporations had hired a new CEO within the last five years (Leonard, 2000). On the other hand, it appears that CEOs in very large American corporations have spent most of their career with that corporation (at least 10 years) in positions leading up to the top leadership position (Todaro, 2003).

Arguments can be made about whether FSSA can be compared to a public corporation of equal size and whether a public corporation is an ideal model for a government agency. However, a couple of lessons may be learned from the

comparison to CEO tenure. First, the trend toward shorter CEO tenure may indicate that performance is becoming an increasingly important factor in leadership. Second, planning horizons for most organizations are shortening with the decrease in leadership tenure. Third, since CEOs serve in other capacities before taking the highest position in the organization, the importance of understanding the company operations and philosophy is underlined.

In the interviews with the former secretaries, two types of organizational knowledge were recommended. First, knowledge of working within state government was deemed important since the secretary is a liaison to other agencies and a coordinator among the divisions. Second, knowledge of FSSA's programs and services or a field of study related to human services was seen as desirable. In addition, the ability to press for a particular agenda with people who may not be receptive, and working with people from diverse backgrounds were also mentioned as among the most important characteristics for a secretary. Other traits mentioned included creativity and a willingness to get out into the community.

Discussion

With an average length of service of 1.6 years for its Secretary of Family and Social Services, Indiana does not have a long planning horizon for human services programs. However, when compared with other states, Indiana's average length of service for the position does not appear to be exceptionally short. There are examples of states where the secretaries served for much longer periods (i.e., 9 years), but the reasons for longer tenure are not apparent. To the extent that the two states with the lowest turnover rate have a consolidated form of organizational structure as does Indiana, the form of organizational structure does not appear to cause short tenure in this brief survey.

Across industries and around the world, it appears that leadership tenure is becoming shorter. As a result, planning horizons for organizations may become shorter as well. Adjustments to the changes will need to be made and may require more consistent guidance from lower management levels within the organization or from higher levels, such as the boards of directors for firms, or advisory councils or the legislature for governmental organizations.

Management Efficiency

Questions have been raised concerning whether FSSA is too complex an organization to manage. Generally when this question is raised, the amount of state resources appropriated to a single agency is discussed as one concern. Another aspect of this size question is the ability of the administration to control the quality of programs and services offered.

To explore these concerns, a comparison has been made with other states that have consolidated organizational structures. Certain questions from the LSA survey were examined to determine how the organizational structure appears to those associated with it. Finally, a review of divisional controls over programs is undertaken.

Comparison to Other States

One way to address this question is to compare Indiana with states that have similar organizational structure and general population. Two dimensions were reviewed for comparison: (1) the percentage of state budget appropriated to the human services agency and the percentage of total state personnel appropriated to the agency, and (2) the number of personnel managed. Exhibit 3 summarizes the results.

Exhibit 3: Resources in State Budgets Dedicated to Human Services

State	Period Reviewed	Total State Budget	State Personnel*	Number of Personnel
Indiana	FY 2003-05	29%		11,686
North Carolina	FY 2002-05	39%	15%	18,500
Washington	FY 2001-05	34%	18%	17,800
Wisconsin	FY 2003-05	26%	9%	6,176

*Some states appropriate full-time equivalents (FTEs) in the budget process, referred to here as personnel. The percentage of personnel represents the appropriation for the division over the total state appropriation. Indiana does not appropriate FTEs, so this space is left blank.

The percentage of budget and personnel appropriated to an agency as a portion of the total state resources gives some idea of the importance of the agency based on the distribution of the state's total resources. However, there are problems making a direct comparison among the states because the programs within each agency may not be exactly the same, although the agencies conduct many of the same activities. Also, since federal funding is directed mainly to human services and transportation, the budget as a percentage of total state resources may be somewhat higher and the budget percentage for state funds may be lower than the importance actually placed on the programs. The number of personnel (i.e., the number of people who must be managed) is a measure of the complexity of the organization. Again, direct comparisons may be somewhat misleading because the amount of work contracted versus work performed by agency employees may vary among the states.

Despite these limitations on state-to-state comparison, certain generalities concerning the complexity of Indiana's organizational structure can be made. The comparison suggests that Indiana places about the same amount of importance on its human services as states with similar organizational structures and population. To the extent that some states have more personnel in their human services agencies than Indiana, it appears that FSSA is no more complex than other states, but may contract more work than other states. The amount of complexity created in the Indiana system by joining human services agencies into a single agency does not appear to be unique among the states that have a consolidated organizational structure.

Survey Results

Another measurement of whether FSSA is too complex to be effective was reflected in several questions on the LSA survey. From responses to questions about the secretary position and the organizational structure, it appears that the majority of the people surveyed would not change the role of the secretary position (33%), although there was split opinion on whether the current formation of FSSA provides programs and services effectively and efficiently (27% somewhat agree and 24% somewhat disagree). From the comments received corresponding to these questions and others in the survey, the main concern seems to be the communications between divisions offering programs and services. In fact, a majority of respondents (55%) thought that programs and services offered by FSSA would improve if the divisions were more closely aligned, suggesting that respondents were seeking stronger interagency linkage.

One issue highlighted by responses to the LSA survey is staff turnover. Staff turnover is cited both as a source of poor communication between the divisions and for inconsistency in the responses to questions and problems. A review of information provided by FSSA shows a 5.0% decrease in the number of employees (net of those on leave) between January 1, 2001, and January 1, 2004. On average between 2001 and 2004, 10.8% of FSSA employees had retired or terminated state employment, and 9.5% of the workforce was newly hired.

In December 2002, an early retirement incentive package was offered for qualified state employees applying between November 2002 and February 2003. The retirements from FSSA in 2003 were about four times as many as the average for the previous two years and about 16 times greater than the number of retirements in 2004. Inverse to retirements, the number of other terminations decreased between 2001 and 2003. The number of other terminations decreased significantly in 2004, going from over 1,000 a year to just under 380. Based on the increase in retirements and decreases in other terminations, high staff turnover at FSSA may be unrelated to management complexity, but may rather be the result of retirement incentives. However, additional study of the reasons for terminations and retirements may address other concerns identified by the LSA survey respondents, including low pay and need for additional staff.

Systems of Program Control

Management responsibility that is too complex can result in the activities of the organization operating outside the established norms. A review of the systems used in each division to ensure control over the unit's activities was undertaken. Program control looks at the ways that divisions ensure quality of services and oversee dispersed operations. (Contracting and audit will be discussed in a later section on fiscal accountability.)

Each division has certain statutory and federal funding obligations to review service providers or licensed entities. For DDARS and DMHA most functions are contracted through private vendors (DMHA has only 49 state employees), and the performance of the private vendor is reviewed on a periodic basis. DDARS reports that in addition to its Bureau of Quality Improvement Services, the division contracts with the Department of Health for inspections of group homes

and nursing homes due to the efficiencies that can be gained by using inspectors who are trained in certain types of inspection or who have certain expertise. DMHA reports that using performance measures in contracting is a new method of controlling service quality and improving accountability. By having key measures for treatments and services and collecting the data from performance, better decisions can be made to provide programs that help people to become independent.

DFC has a different type of control responsibility with county offices. All county DFC office staff are state employees and must follow the DFC policy manual for county office employees. However, the county council or judges may direct the work of DFC county office employees. The former because the counties provide a large portion of the nonpersonnel operating costs of the local agencies, and the latter based on state statute that allows the courts to direct the county director or the county director's assistants to perform the function of a probation officer or agent of the court in welfare matters before the court.

To oversee this function, a computer system known as the Indiana Child Welfare Information System (ICWIS) links with all child welfare agencies in the state, including the Indiana Client Eligibility System (ICES), the Indiana Support Enforcement Tracking System (ISETS), courts, and police and law enforcement agencies. ICWIS was developed by the state using about 75% federal funds. The federal government audits this system on an annual basis. Additionally, about a third of the county offices are audited each year according to the DFC director. (According to an overview of the agency prepared by FSSA for this evaluation, all offices are reviewed every two years which would indicate that half the offices are reviewed each year.) Teams made up of county employees from adjacent counties and central office specialists perform the county office audits.

Program Interactions

In order to better understand the interagency relationships that support Indiana's human services programs, a program inventory was created to accompany this evaluation. One piece of the inventory, a directory of interagency connections, was assembled by asking the FSSA staff knowledgeable in programs to identify other agencies involved in each program the division provides, the type of interaction that occurs, and the frequency of the interaction (see Appendix IV).

A preliminary review of the data shows that there is a great deal of interaction between the divisions (including OMPP as a division) and the Office of the Secretary. As seen in Exhibit 4, the Office of the Secretary was noted especially for providing administrative support to the division programs. Administrative support is described as another agency providing payroll, accounting, or other support for the program. Also, among the most frequent interactions noted between the Office of the Secretary and the divisions are data sharing, or information derived from the program being shared with another agency, and technical support, where assessment, program knowledge base, clinical expertise, or specialized expertise are provided by another agency.

Exhibit 4. Interactions between the Office of the Secretary and Divisions by Type of Interaction

Type of Interaction	DFC	DDARS	DMHA	OMPP	Total
Collocated	11	13	1	6	**31**
Program Design	4	13	0	13	**30**
Implementation	4	12	0	9	**25**
Data Sharing	10	13	3	24	**50**
Share Federal Funding	2	11	0	9	**22**
Technical Support	6	18	4	23	**51**
Administrative Support	11	23	16	18	**68**
No Interaction	3	8	2	0	**13**
No. of Programs Reported	**23**	**35**	**24**	**21**	**103**

The minority of programs identified no interaction with the Office of the Secretary. Grouped by division, most programs have multiple interactions with the Office of the Secretary. However, for the majority of DMHA programs, a single interaction with the Office of the Secretary for administrative support prevails. Whether these differences are based on reporting differences among the staff who completed the worksheets or program differences can only be known through an extensive interviewing process that has yet to be completed.

In contrast to interactions with the Office of the Secretary, more programs identified no interactions with the other divisions of FSSA, but these noninteracting programs were still in the minority. When programs are reviewed by division, DFC and DMHA programs identify the fewest interactions per program with other divisions. For DFC, the most common interaction is data sharing; and for DMHA, program design, or another agency assisting in the planning and design of the program, is most common.

OMPP has the most interactions with other divisions per program, and while these interactions are fairly evenly spread among the types of interactions identified, the majority have to do with data sharing. The amount of interaction that OMPP has with the divisions is not surprising based on the types of programs offered by OMPP and statutory requirements for memoranda of understanding between OMPP and the divisions. The majority of interactions per program occur between OMPP and DFC. This is followed by DMHA and then by DDARS.

While these results are a first look at this information and more refinements are needed to identify the exact nature of these interactions, the results have important implications for the management complexity of FSSA. Understanding

these interactions is important to the way in which the divisions and the Office of Secretary are formed in statute and through other types of agreements, such as memoranda of understanding. There are no conclusions to be reached from these first results, but further discussion with the people who provided the information will result in a picture of the collaboration that takes place among the divisions.

Discussion

Due to the complex nature of the problems being addressed by human services, a number of agencies - state, local, and nongovernmental - must interact to provide comprehensive programs and services. To the extent that agencies have to interconnect to provide programs and services, one problem is finding a way to link program resources without creating too much management complexity. Linkages are made ranging from formal, legal structures to informal, limited agreements. Some examples include:

1. Statutory changes that create organizational units to bring the partners together in a formal structure.
2. Memorandums of understanding that provide legal obligations to the participants, but may be shorter in duration than a statute change.
3. Informal arrangements that do not have long-term durability or formal structure.

It appears that no matter how linkages are made currently, new programs, sources of funding, or practice changes may require the connections to be reconstructed in the future. For example, DMHA is now linking with the Criminal Justice Institute on prevention and education programs, and DDARS interacts with the Department of Education to plan for the transfer of students graduating from DOE programs.

The human services reorganization did not combine all of the agencies that are involved in the provision of human services programs and services. For the most part, agencies other than those incorporated through the reorganization are connected through more informal arrangements. On the one hand, more informal arrangements can expedite interagency relations and allow for creative solutions as problems arise. On the other hand, the more informal the relationship, the more the relationship relies on leaders from each agency.

By studying the interactions provided by the program inventory, the ways in which agencies need to be linked to support programs can be determined. Once these connections are recognized, the degree to which formal relationships or informal relationships are needed can be analyzed and integrated into the infrastructure that underlies these programs.

Interagency Communication

Interagency communication is a key factor in reducing fragmentation and duplication among the various programs provided by the divisions. One of the ways that interagency communication is expressed is through service integration, or the seemingly smooth service continuum for clients of the human

services. Service integration was one of the goals discussed during the reorganization in 1991, and most of the literature concerned with program improvement recommends improving service integration. But this same body of literature provides evidence that achieving service integration is elusive for many organizations because of barriers that may be external to the organization or because of barriers to communication erected within the organization.

In earlier studies, service integration is characterized as a single entry point and collocation of services. More recently, joint case planning, comprehensive family assessment, and a sense of partnership are added to the list of characteristics of service integration (Hutson, 2004). These more recent additions require coordination among the various state and local resources and require good channels of communication to foster an environment where agency staff is willing to work together.

A Review Based on Literature

In order to define where Indiana's human services programs are located along a continuum of service integration, the characteristics of service integration are compared to the agency performance.

Comprehensive Family Assessment and Joint Case Planning

Support for case management for an individual was among the aims of the 1991 reorganization. To provide for case management, additional authority was given to county DFC office heads, and caseworker duties were reassigned to provide more focus on the (individual) client. At the time that human services were reorganized, the concept of planning for the total family need was not present in the literature. Rather, this facet of service integration appears to have grown as the result of concepts embodied in the welfare reforms of the mid-1990s.

Both comprehensive family assessment and joint case planning place the family at the center of human services. In comprehensive family assessment, an appropriate service plan is designed by screening all family members with the goal of identifying problems early and connecting with services quickly. Then, a primary family caseworker and an interdisciplinary team prepare joint plans for the family. By coordinating services among family members, services will not conflict as family problems are addressed.

DMHA has been working on a program that will address both comprehensive family assessment and joint case planning. The program, called "systems of care teams", has been funded in 11 counties to provide comprehensive family assessment. The systems of care approach places children and families in the center and surrounds them with resources to form a treatment plan. In contrast to traditional case management, this approach considers all of the needs by having a specialist in each area assess the clients. The Indiana program has been recognized by a Presidential commission studying mental health practices and will be featured in several seminars this year.

Single Point of Entry and Collocation

A single point of entry suggests that a person applying for services would only have to make one contact with any human services agency in the system to qualify for a range of services. In the LSA Reports and the Andersen Plan, one of the reasons for restructuring human services programs into a more unified unit was to facilitate a single point of entry to the Indiana human services system. Like the single point of entry, collocation implies that services will be accessible in a single location. In the literature, examples are cited of nongovernmental agencies collocating with governmental agencies for a one-stop approach.

To the extent that a number of programs can be reached from contact with the DFC county offices, FSSA seems to working toward a single-point-of-entry approach. For example, Temporary Assistance for Needy Families, Food Stamps, Medicaid, IMPACT, Residential Care Assistance Program, Adoption Services, Nonrecurring Adoption Expenses Program, Child Development, CHIP and Hoosier Healthwise, Child Protective Services, Foster Care, and the Chafee Foster Care Independence Program can all be accessed through contact with DFC county offices. However, there is an equally long list of programs that must be reached through separate agencies or divisions. Some examples include mental health services which are accessed through managed care providers, developmental disability services accessed through local Bureaus of Developmental Disabilities Services Offices, and Community and Home Options to Institutional Care for the Elderly and Disabled (CHOICE) program accessed through Area Agencies on Aging.

FSSA set a goal for 18 collocated service offices in FY 1998 and 25 in FY 1999, but additional information for this operating measure was not available. In interviews with the division directors, issues concerning collocation were discussed. Some services and local area offices are collocated, or, in some cases, services are located near one another. However, since the literature generally focuses on only one dimension of the range of services overseen by FSSA, such as welfare or mental health or disability, the advantages to co-location may be overstated. First, the populations being served by the FSSA divisions are to some extent diverse and, in some ways, may not want to or benefit from being associated with one another. Second, the number of services provided by contracted providers was identified as a barrier to collocation because these providers, in many cases, already have their own facilities and cannot easily move. Third, particularly in rural areas, co-location may not be ideal, since transportation issues may be harder to overcome. In this case, locating services near the users of services may be preferred over collocating programs.

Sense of Partnership

Developing a sense of partnership results from cross-training to foster a broad-based knowledge of available services. With a broader view of the available services, staff have fewer protectionist feelings toward programs within their area, which should reduce fragmentation of programs.

Washington State created a program called "No Wrong Doors" to coordinate services for children and families accessing more than one service from their Department of Social and Health Services. One key ingredient to creating the "No Wrong Doors" approach to service intake is cross-training. (State of Washington) Cross-training was also recognized in the 1991 reorganization as an important key to achieving service integration with the responsibility for cross-training established in the Office of the Secretary.

FSSA prepared some examples of cross-training programs that are conducted by FSSA or regularly offered to employees. According to FSSA the examples provided are not exhaustive of the cross-training that is available. Examples of cross-training between agencies that support the intake process were provided by FSSA. These programs include:

- Staff from DDARS spent some time with DMHA staff regarding the Room and Board Assistance (RBA) program discussing how the program impacts persons with mental illness.

- DFC caseworkers are trained in mental health assessment techniques. In this program, when a caseworker has to remove a child from a home, the child can be assessed to determine if mental health services might be appropriate. A child found to need mental health services would be directed to the mental health programs for further evaluation and placement.

- Staff from DMHA Children's Services work closely with the Division of Families and Children Step Ahead program and the Inter-agency Coordinating Council for Infants and Toddlers to ensure that staff of those programs are regularly updated regarding DMHA activities. Staff also contributes to a monthly column in the Head Start newsletter.

Other examples were provided that involve cross-training with external agencies including:

- The Governor's Commission on Home- and Community-Based Services and the Mental Health, Addiction, and Criminal Justice Consortium provide opportunities for persons representing various segments of the system to learn about areas outside their regular work environment.

- The Systems of Care Technical Assistance Center (funded by DMHA) provides ongoing training to Division of Families and Children offices, the Department of Education, the juvenile courts, and other non-FSSA entities regarding Systems of Care strategies, philosophies, etc.

Although the listing of cross-training opportunities provided by FSSA is not exhaustive, the opportunities to learn about other programs and break down communication barriers between programs do not appear to be abundant. It also appears that programs are arranged among the divisions rather than planned by the Office of the Secretary.

Communication Evaluation

In order to get a sense of how well FSSA communicates with outside entities, several questions on the LSA survey were addressed to responses from the state agency. The results indicate that most respondents found information and answers about programs and services accessible. For example, 69% of the respondents agreed or somewhat agreed that there is sufficient access to information about programs and services, 81% agreed or somewhat agreed that information provided by FSSA was useful in daily work, and 55% agreed or somewhat agreed that problems with programs and services get resolved. However, elsewhere in the survey, respondents indicated that communication between divisions was lacking or that greater collaboration between divisions was needed to improve programs or access to programs.

One LSA survey question concerning dually diagnosed and multi-problem clients sheds more light on interagency communications at FSSA. The majority of respondents found that multi-problem or dually diagnosed clients do not receive programs and services to address most of their needs (53%). Of the respondents who said that these clients do not receive programs and services to address most of the their needs, a majority agreed that access would be improved if the divisions of FSSA had better interagency communications (54%). The comments suggest that, in particular, strengthening links between DMHA and DDARS to serve dually diagnosed clients would improve the provision of services. However, some respondents (and others interviewed for this report) point out that some of the difficulties in serving dually diagnosed are beyond the control of FSSA.

According to the literature, there are four types of barriers to service integration including legal issues, information systems, performance indicators, and managerial and administrative issues (Hutson, 2004). The first two barriers are tied to the federal sourcing of funds for human services programs. For example, the federal government pays for a large portion of the cost of developing computer systems associated with human services programs. But the computer systems must meet the federal requirements or the agency will face the consequence that not only will the computer development funding be lost, but the federal funding for the underlying program may be cut as a result of not having the computer program. Also, when asked about computer systems at FSSA, LSA survey respondents indicated that transferring records between regions or agencies may violate client confidentiality rules primarily set at the federal level. The confidentiality issue is even greater when considering mental health or disability records which are part of a patient record and subject to the recently enacted HIPAA regulations.

While these legal and information system barriers may hinder communications among the divisions, the source of these barriers is beyond the organizational structure of family and social services, but addressing these external barriers is within the liaison responsibilities of the Secretary.

Although some communication barriers are beyond the state organizational structure, a barrier to communication discussed in the comments of another LSA survey question is affected by the state organizational structure. Comments associated with a survey question concerning contacting more than one division

for answers to questions for programs administered by more than one division indicate that one communication problem within FSSA is "buck passing".

One reason that staff at FSSA may appear to pass questions or problems to others is the staff turnover rate discussed above. However, other control issues may limit the scope of questions that can be answered at a particular level of staff or may restrict answering questions to certain layers within the organization. These internal management issues, the deployment of staff and the training provided at each level, need to be addressed by the FSSA management.

Discussion

As noted above, most respondents to the LSA survey felt that programs and services offered by FSSA would improve if the divisions were more closely aligned (55%). The comments speak to a perceived lack of communication between the divisions, however. The thrust of these comments is that communication between the divisions is lacking or needs improvement. The perception that there is poor communication among the divisions raises questions about the barriers that still exist to interagency communication.

To the extent that communication barriers are the result of federal rules and regulations, or for that matter, the result of policies within state statute, statute provides that the Secretary is liaison to other units of government. In this capacity, the Secretary should work to identify and break down barriers that inhibit the best possible service delivery for clients of state human services. Equally, within the present responsibilities of Office of the Secretary of Family and Social Services, the Secretary has the ability to address interagency communication issues through cross-training and by coordination of activities among the divisions.

Fiscal Accountability

Since fiscal accountability is one of the most important aspects of controlling a large agency, the controls for fiscal responsibilities are reviewed. Contracting is one of the largest expenditures of FSSA, but not all contracts are the same. In some cases, FSSA is purchasing services such as computer technology or program management. In other cases, the contract is for services to be provided to a third party, such as counseling or assessment or the medical services of Medicaid provided to a third party consumer. Finally, some contracts are the result of statutory requirements to use other entities for certain services. For example, by statute county attorneys are contracted to provide child protection services. The contract process at FSSA has been the subject of recent allegations including use of false contract numbers for improper payments and improper billing by vendors.

These issues of improper costs are also examined through review of the FSSA audit system. The audit function at FSSA is responsible for post-performance review of contracts and programs. While the audit unit has uncovered some of the problems discussed above, the unit is undergoing transformation and may need additional resources.

Contracting

According to FSSA, most contracts are prepared using standard language known as boilerplate language. Each contract is initiated by a requestor within the program that the contract services. If boilerplate language cannot be used, the FSSA legal department will become involved in writing the specific clauses needed. The finance division pays contracts, the audit department reviews the contract expenditures in terms of programs, and the budget division is involved to the extent that the contract must be contained within the appropriations to FSSA. FSSA had at one time used a computer system called Legacy to track contracts, but this system was not Y2K compliant and the system was not capable of processing all the payments. As a result FSSA upgraded to a new Contract Management System (CMS) to pay all claims against contracts.

In response to recent allegations that a program manager arranged payments to vendors who were not yet awarded contracts, two changes to the payment system were made. All contracts are now recorded and paid through the CMS system, and all claims require two signatures from the program level.

For calendar years 2000 and 2001, FSSA initiated contracts with a total value of $563.3 million and $381.3 million, respectively. In some cases the contract may last more than one year, so that the total amount of active contracts each year is not captured in these amounts. A review of contracts found that most contracts (62%) are let for a one-year period. When contracts are reviewed based on the dollar value of contract, there is more variation in the average length of contracts. Considering the contract value, the percentage of contracts being let for one year drops to 23%.

The average contract value for calendar years 2000 and 2001 is $5.5 million with a wide range of values between $0 and $183 million. When contracts are sorted by program, during calendar years 2000 and 2001, the larger contracted amounts are for Medicaid Administration, Child Care Development Fund Child Care, Healthy Families Indiana, and for incentives to move nursing home residents to community care. Detailed contract information provided by FSSA can be found in Appendix V.

A number of the contracts entered into by FSSA are $0 contracts. In most cases, these contracts provide a set price that will be paid for services from a vendor, but do not limit the amount of services that will be purchased. When there is a limit to the contract, the maximum amount is reflected in the contract value. A $0 contract has no maximum amount. For example, a $0 contract may be used with a vendor providing substance abuse assessment. The price for each evaluation is set, but the vendor may see any number of clients.

Referring to the comparison among states in Exhibit 3, states may replace state employee positions with contracts for services. There are certain advantages to using employees or contracting depending on the services involved and the size of the project. For example, when computer technology workers were in high demand, contracting for services became more attractive because the retention rate for these employees was low, increasing costs for recruitment and training. As the market for computer technology workers has slowed, FSSA is converting contracted services to employee positions. This shift in resources indicates the

costs of employing and maintaining employees has become attractive in relation to contracting.

The complexity of managing employees versus contracts can also be contrasted. To the extent that an organization does not have to recruit and maintain staff (i.e., benefits costs), contracting may be an attractive alternative. In hard-to-fill positions or areas, contracting may offer better coverage. However, contract surveillance can be costly. The surveillance needs to be well designed to reduce management time dedicated to the project. Additionally, planning is important to ensure that quality is maintained and to secure assets.

Audit

According to the Government Accounting Office, internal control is a major component of organizational management. Not only is internal control used to safeguard the assets of the organization, but internal control reviews can benefit performance measurement. The five standards for internal control promoted by the Government Accounting Office include:

- Control Environment - an environment with a positive attitude toward internal control.
- Risk Assessment - assessment should consider risk factors inside and outside of the organization.
- Control Activities - control activities should be effective and efficient in carrying out the organization's goals.
- Information and Communications - information should be written and provided in a timely manner.
- Monitoring - review should assess the quality of performance. (GAO, 1999)

Within an organization, the internal audit unit provides an objective review of the performance and controls. Generally, the information from an internal audit is used for performance improvement, but may become the basis of an investigation or report. While some types of internal control may take place in real time, internal audit generally occurs after activities have taken place. Also, to safeguard the independence of the audit unit, the internal audit director in a publicly held corporation will usually report to the board of directors and not the president or other officer of the corporation.

The internal audit function within FSSA is a postperformance review of the programs within the agency. After concerns raised in SBOA audits, the internal audit director reports to the deputy secretary. The internal audit director, however, is not included at the policy level of organization. Until September 2003, there were two sections to the audit division: (1) Internal Audit, which considered compliance with federal programs, program performance, and control and (2) Compliance, which reviewed grantees for proper billing and assuring that proper services were delivered. The Internal Audit unit had six employees and one supervisor, and the Compliance unit had nine auditors and one supervisor.

The results of this major review will not be available in time for this report. The FSSA Audit Director will discuss the results with the evaluation committee reviewing this report, if requested.

In September 2003, all 15 employees and 2 supervisors were merged into a single unit for the purpose of preparing an account number overview of the agency. The group has been working to identify cash, eligibility, claims, personnel, and contract procedures as well as the control environment for each major area of the agency. This risk assessment will be completed by June 30, 2004, and should form a basis for further audit and detailed review. Additionally, the unit has joined forces with the Department of Revenue through a memorandum of understanding to use technology that will look for anomalies in claims payments for further investigation.

It appears that the changes made in internal audit services resulted from SBOA audits of FSSA (SBOA, February 28, 2003). In its audits, SBOA found that the internal audit group did not have clear authority and that audit services were not utilized consistently across division lines. SBOA indicates, in fact, that the primary purpose of audit services appeared to be monitoring DFC county offices and contract compliance. Further, SBOA found that the audit services section was not utilized consistently in decision-making processes such as contract needs, subrecipient requirements, and subrecipient monitoring.

A review of the staffing tables indicates that although there are 15 positions within the unit, staffing has been below this level with 5 positions frozen. The entry-level pay for new auditors is about $26,000, while the market rate for entry-level accountants is approximately $43,000 according to the Audit Director. The unit has been evolving over the last six years to provide more effective services, moving from the introduction of computers to the current account-level evaluation. Turnover within the unit may be related to the restructuring that has taken place or the lower-than-average wages.

Audits conducted by the unit may be released separately, or the SBOA may be advised of the issues and choose to investigate. Each year the SBOA conducts an audit of the agency as part of the statewide single audit, but usually pursues issues separate from the reports issued by the audit unit. In some cases, the SBOA may not choose to proceed on an issue raised by the audit unit because the problem has been resolved as a result of the internal findings.

Other Controls

In addition to the agency-wide audit unit, there are other types of controls used or being developed. Within the divisions, there is a fiscal position to review expenditures in light of appropriations and to provide fiscal knowledge. Also, a new (or recently reestablished) control is the use of the teams assembled by the Director of Finance and Budget at the account level to provide wrap-around services for each program. The team consists of persons from the finance, communication, and legal departments, and from the program itself to oversee problem areas. Ongoing quality assurance programs are used to review programs and assess client and partner satisfaction with FSSA performance. Monitors who provide real-time oversight are used by DFC to review the Child Care Development Fund.

However, according to a SBOA audit report of FSSA (SBOA, February 28, 2003), FSSA as a whole lacked definition of what subjects and types of programs should be monitored and does not have requirements that go further than

minimum federal requirements. Further, the SBOA noted that subrecipient monitoring is disorganized and at times nonexistent resulting in an inability to perform a comprehensive risk assessment for subrecipient monitoring. The response to this finding is the account number review discussed above. According to this response, the first phase of the review will assess control risk and evaluate the control environment, and the second phase will prioritize the subrecipient audit based on the risk assessment of the first phase.

Findings from the State Board of Accounts

In addition to a separate audit of FSSA, and as required by the federal Office of Management and Budget (OMB), SBOA conducts an independent audit of the state of Indiana as a single unit. In accordance with the OMB guidelines, known as Circular A-133, annual audits are conducted of organizations that receive more than $500,000 in federal funds. The audits review financial statements for fair presentation of the financial condition of the entity and test internal controls based on risk analysis.

In 2000 and 2001, there was one finding a year for the Indiana Department of Transportation, and in 2003, there were no findings for the Department of Workforce Development.

The 2000, 2001, 2002, and 2003 Circular A-133 audits for the State of Indiana were reviewed for this evaluation. In almost every year, FSSA, the Department of Workforce Development, and the Indiana Department of Education had findings, but FSSA had the most findings of all state agencies. (Note: This review is related to receipt of federal funds, so certain agencies that do not receive federal funds would be excluded and agencies that receive a higher share of federal funds would have higher risk.)

The types of findings for FSSA range from the lack of written procedures to insufficient or no review of audits submitted by vendors to cases of fraud. Findings about the Medicaid or Medicaid/CHIPS program represent about 40% of the findings, on average over the three years. Most of the problems identified concern insufficient audits and edits within the claims payment system to identify duplicate billing, excessive payments, or invalid billing. Some reconciling errors have been noted as well. Three cases of fraud or illegal activity are discussed in the Circular A-133 audits with two of these cases first being identified by FSSA internal audit.

In the 2003 Circular A-133 audit, several findings concern monitoring of contracted service providers. The audit found that FSSA lacked adequate procedures to monitor contracted work concerning the Division of Family and Children Cost Allocation Plan, that FSSA did not monitor the audit risk determination or audit schedule of the firm contracted for long-term care facility audits, and that FSSA did not monitor its contractor to verify that all cost reports are received and all cost reports are reviewed for the State Children's Health Insurance Program and Medical Assistance Program. Also, in 2003, a high percentage of the findings concern the Child Care Development Fund. These findings range from adequacy of documentation to exceptions being made for unlicensed child care facilities.

In the annual audit, the agency responds to the findings and may provide a corrective action plan or in some cases dispute the finding. If the finding continues to be a problem, the SBOA will report again on the finding in the next annual audit. In 2002, there were 17 prior findings continued. These findings

mostly concern programs in DFC or OMPP, but the other divisions are included as well. In most cases, there is ongoing work to improve the conditions and, in some cases, the improvement process will not be completed until after the period covered by the audit.

An Example of Internal Audit in Action

One example of how the internal audit process works at FSSA concerns the Child Care Development Fund (CCDF). (SBOA, Special Report) In this case, the internal audit unit of FSSA found problems with the administrative reimbursement billed by and the claims processing of the state's largest child care intake and payment vendor. The internal audit department began its review of the CCDF contract in the fall of 1999 for the period May 1, 1997, to September 30, 1998. The final report from the FSSA internal audit unit was issued on March 9, 2001.

State Board of Accounts began its own audit and prepared a special audit report released in the fall of 2001 and included findings in the single state audit for 2001. As a result of the SBOA audit, DFC, the responsible division, has made many changes in the CCDF program including developing a centralized reimbursement office and established monitors for real-time review of the program. In addition to correcting the weakness uncovered, the centralized reimbursement office allows for a new swipe-card system to collect attendance information and provide payment.

In the status report on the prior finding in the 2003 audit, it appears that FSSA submitted revised financial reports for FY 1997 to FY 2000 to the federal government and requested issuance of a negative grant. In addition, FSSA submitted a warrant for disallowed costs related to the FY 1997 time period. According to the audit document, FSSA is still pursuing legal action against Daybreak. With these actions, FSSA believes that the finding is closed.

Discussion

A majority of respondents (52%) to the LSA survey did not find that FSSA has a sufficient system or method to report minor problems such as duplication or inefficiency, and several respondents commented that they felt this type of report would not receive much attention from FSSA. When the question was addressed to reporting serious problems or illegal activity such as theft, skimming, or bribery, the response was divided between those who felt there was a sufficient system and those who did not, and a number of respondents (26%) left the question blank.

According to the Association of Certified Fraud Examiners, fraudulent schemes tend to last 18 months before being detected and most fraud is detected by a tip. The report found that organizations with fraud hotlines cut losses by about 50% per scheme and that internal audit can reduce fraud by 35% (Association of Fraud Examiners, 2002). Based on this information, assuming that fraud reduction is a goal, strengthening internal audit with adequate resources for the internal audit division and the development of tip systems with widespread advertisement could reduce fraud and improve efficiency at FSSA.

However, the level of fraud detection must be contrasted with the cost of detection services. The FSSA annual appropriation is about $6 billion. In the incident involving CCDF, the amount of money involved was about $6 million, or about 0.1% of the agency budget. In the case involving contracting in Workforce Development, the amount involved was reported as $150,000, or about 0.003% of the FSSA budget. Detection costs can exceed amounts recovered, and resources expended on detection may reduce funds available for human services programs. A balance must be established, and the Legislature could be instrumental in determining the level of acceptable risk.

Budget

As the largest of the state agencies, an analysis of the FSSA budget is important to understanding how programs are funded and how the divisions compare. Additionally, budgeting can be used as a tool to identify ways to improve performance by funding programs that are proven to work and can identify ways that the agency can more efficiently utilize resources.

Budget Overview

Based on revenues from all funding sources in the FSSA FY 2004-05 biennial appropriations, 63.9% of funding comes from the federal government and 0.3% comes from local units. This leaves about 34.4% paid from state General Fund or dedicated fund sources. The federal government pays for 58.7% of all FSSA administrative expenses and 68.1% of program and service costs. All FSSA administration receives 41.3% of its funding from state General Fund or dedicated funds.

The programs and services receiving the highest percentage of funding from the federal government include Family Support Services (TANF), Family Developmental Services, Family Preservation/Adoption, and DMHA Prevention Services.

State institutions also received a split of state and federal funding with the federal portion coming through the Mental Health Fund, a dedicated state funding source. The split between state and federal funding for institutions is different for institutions operated by DDARS and those operated by DMHA. For the DDARS-operated facilities, the funding source split is 55.3% state and 44.7% federal, while the split for DMHA-operated facilities is 86.4% state and 13.6% federal.

Between FY 2000 and FY 2003, expenditures for FSSA increased 24.9%. Administrative expenditures overall increased 26.9% with the largest increases in DMHA and DDARS administrative costs. Total operation expenditures increased 24.7%, with programs and services increasing 25.7% and state-operated facilities increasing 7.3%.

From July 2001 to July 2003, the number of positions decreased by 7.4%. The decrease came from state-operated facilities (-13.7%) and from Division of Families and Children county offices (-4.1%). In the same time period, positions in the FSSA central office including the divisions, increased by 3.2%.

A Way Budgeting Can Make FSSA Better or Less Expensive

Performance-based management is also known as managing for results and performance-based decision-making.

In recent years, performance-based measurement has become a tool which states have used to improve the quality and efficiency of the services they provided. According to a National Conference of State Legislatures report, 33 states have enacted statutes that "govern for results" which include, among other measures, establishing performance standards and measuring performance within the budgeting process (Liner, et al., 2001).

Performance-based budgeting has at least three advantages including the addition of strategic planning to policymaking and administration, performance becoming an element of the budget process, and introducing goal definition and performance targeting to agency administration (Liner, et al., 2001).

Performance-based measurement assists states in identifying program areas where services may be lacking or where services may be unnecessary, resulting in better service quality while limiting service expenditures. In order for performance measurements to be successful, an environment that is open to change based on the results-oriented allocation of services must be nurtured.

Another factor in developing a performance-based measurement system is technology. Technology allows states to analyze the types of services, the populations being reached by the services, and the effect of services on the population. When this information becomes available, state employees are more likely to discuss outcomes including what is expected, what actually happened, and what changes, if any, should be made to improve the services. The dialogue is a way to create channels of communication within an organization.

Performance Measures at FSSA

In response to a request from the Governor, in 1997, FSSA developed a performance plan including agency performance standards and methods for measuring performance against the standards. The standards are priorities for directing resources and support systems within the agency to improve the provision of services. Since the standards are used to direct resources, the standards have become part of the budget process and are incorporated in the agency's biennial budget presentation.

The following standards, or priorities as they are referred to at FSSA, were established for the FY2004-05 biennium:

1. Community- and Home-Based Services
   A. Increase the community- and home-based services for troubled children by 550.
   B. Continue to increase community- and home-based service capacity for people with developmental disabilities and people with severe mental illness.
   C. Increase community- and home-based service capacity for the elderly by 1,000.

2. Prevention

A. Conduct screenings for 90% of Hoosier births, offering services to 100% of at-risk families, with 99% of participants with no substantiated abuse or neglect annually.

B. Offer First Step services to 100% of eligible children, with 95% of children leaving First Steps with verified increased functional abilities.

C. Increase earnings and savings of TANF recipients by 15%.

D. FSSA will meet or exceed the national average for people with disabilities competitively employed and increase the number of individuals with severe mental illness and/or addictions placed in supported employment.

E. Help 15,000 Hoosiers acquire new long-term care insurance policies.

3. Healthy and Safe

A. Increase the number of children on Hoosier Healthwise receiving well visits. Standards are 5 visits from birth to 15 months; 2 annual visits between ages 2-5; and 1 annual visit between ages 6-10.

B. In four critical diseases, achieve specific clinically measurable improvements annually for Medicaid population: Asthma, Congestive Heart Failure, Diabetes, and HIV/AIDS.

C. Increase the number of seniors receiving prescription drug benefits under Hoosier Rx to 30,000.

4. Accountability

A. FSSA will publish, implement, and operate with measurable standards to assess quality of services provided.

B. FSSA will be rated in top five nationally for efficient use of information technology in social services agency.

The priorities emphasize the provision of service and improving service availability. The category of community- and home-based services has been included in the measures since 1997, suggesting that shifting services from institutional care to community- and home-based care has been the top objective for FSSA. When these priorities are compared with the changes in FSSA expenditures, the movement of money and personnel from institutions to services shows the connection between this type of planning and the deployment of the budget.

Also, the priorities are not addressed to a particular division. For each priority, goals are established for each of three population groups - kids, adults and families, and seniors. In this way, service integration begins with the budgeting process. In fact, FSSA proposed consolidating appropriation accounts into single line items consistent with the priority service areas. The consolidation would direct resources to service areas and away from divisions.

Discussion

Most of the proposed consolidations have not been undertaken by the Legislature. However, in the FY 2000 appropriation, certain accounts for aging services were consolidated into a single line item called Aging and Disability Services. Even though FSSA has not been able to consolidate line items, efforts to integrate services through performance-based measurements through

management channels are not restricted.

On the other hand, there are several limitations to performance-based measurement that need to be considered for the process to improve effectiveness and cost within FSSA.

1. The priorities, as they are currently stated, consider service performance and not business performance. The greatest opportunity to generate potential cost savings and improve program surveillance resides in the support services or the business performance of FSSA.

2. Since many programs are federally funded or federally mandated, the priorities that are established may not truly reflect the state needs, but may instead reflect the ways that services need to change to stay in tune with federal program sources. To assure that priorities represent state needs, many groups need to be consulted and an underlying strategic plan needs to have wide consensus on the approach the agency will take.

3. FSSA may not be able to measure performance in areas that are important to its overall performance. As a result, priorities may only be established for areas of easily measured performance, which in turn push priorities away from more important goals. To remedy this deficit in measurement, FSSA may have to invest in technology and commit resources to develop systems beyond those required by federal programs.

Section 5. Conclusion

A look across states indicates that many states are reconsidering the current model of their organizational structure for human services agencies. Most are weighing the same considerations that went into Indiana's decision to reorganize human services in 1991. The issues being considered include collaboration among human services agencies, service integration to reduce fragmentation and duplication, and lines of communication.

The current organizational structure appears to be highly centralized. Whether the organizational structure is positive or negative can only be determined through evaluation of the overall organization. However, a review of other states' activities indicates that many separate agencies serving the same populations may not allow for collaboration among the agencies.

Several issues were examined to evaluate the function of the FSSA organizational structure including the following: (1) continuity of leadership; (2) management complexity; (3) interagency communication; (4) fiscal accountability; and (5) budget. In general, the performance of FSSA's organizational structure appears to operate in a manner similar to other states with centralized systems and within the range of activity of other programs outlined in the literature. However, this is not to say that operations could not be made better. In particular, problems in interagency communication were uncovered through a survey undertaken for this evaluation, and problems with accountability are examined.

Current ideas concerning performance-based measurement are explored as a way for FSSA to make the agency better and/or cost less. From the biennial budget presentation, information concerning FSSA's program of key priorities was examined and ways in which these performance-based measures could be improved were explored.

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